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France: private sector picks itself up, Page 18

World news | Business summary

Labour 'will not repeal' all union laws

The restrictive trade union and employment legislation enacted by the British Government would not be entirely repealed by a future Labour administration.

John Prescott, Labour's employment spokesman, said wholesale repeal without an alternative to put in its place would be unrealistic. Labour and the unions now faced the opportunity of re-examining the whole relationship of trade union law.

His comments are the furthest the party has yet gone in acknowledging that some of the changes introduced by the Government's employment and union laws will be permanent. Page 9

Detainee dies

South African police reported the death of a second black man, student organiser Sipho Mutsi, after police detention at the weekend. The death toll in five days of fighting between residents and migrant workers near Johannesburg rose to 16. Earlier story Page 5

Extremists watched

West German police and security agents are watching 200,000 extremists – 22,000 right-wing people, 81,000 left-wing and 110,000 aliens, Interior Minister Friedrich Zimmermann said.

Brazil reform plans

Brazil's Congress gave preliminary approval to electoral reform, including the return of direct elections for the presidency. Page 6

Roof cave-in deaths

Nine people were killed and two injured when the roof over a public indoor swimming pool collapsed at Uster, near Zurich.

Costa Rica training

U.S. Special Forces advisers arrived in Costa Rica to start training the country's first counter-insurgency battalion. Costa Rica abolished its army in 1949.

Pacific crisis

A constitutional crisis deepened in New Caledonia, the troubled French Pacific territory, when moderate deputies representing the indigenous Kanak people and in favour of independence quit the Territorial Assembly in protest at racial violence. They said they could no longer govern with the anti-independence RPCR party.

Bhopal deformities

About 100 women affected by the Bhopal gas tragedy in India have given birth to deformed children, according to a report to a Cabinet committee.

Arafat in China

Palestine Liberation Organisation chairman Yassir Arafat arrived in Peking to rally support for an international conference on Palestine.

Nicaragua vote

The centre-right majority in the European Parliament defeated by 119 votes to 116 a proposal that the EEC compensate Nicaragua for damage to its economy caused by a U.S. trade ban.

French jail unrest

Unrest spread to two more French jails and riot police moved into Fresnes prison, where prisoners took to the roofs and hurled tiles in protest at overcrowding.

Miami drugs haul

U.S. police in Miami seized cocaine worth an estimated $1bn in the biggest single day of narcotics confiscations ever in the drug-smuggling centre of south Florida. Five people were arrested.

Swiss cut key bank rate to 4½%

LEADING Swiss banks announced a cut of ½ percentage point to 4½ per cent, from today, in customer time deposit rates – the benchmark commercial bank rate. That follows the 1½ percentage point cut in Belgium's discount rate on Wednesday.

In Paris, pressure is seen to be mounting for a cut in bank base rates from the current 11½ per cent after this week's fall in the overnight call money rate to a six-year low of 10⅛ per cent. In Stockholm, the central bank's weekly meeting left interest rates unchanged: a rise had been widely expected. Markets, Section III

DOLLAR was weaker in London, falling to DM 3.111 (DM 3.1915), FFr 9.49 (FFr 9.725), SwFr 2.6145 (SwFr 2.6845) and Y251.5 (Y253.2). On Bank of England figures, its exchange rate index fell to 147.1 from 149.0. In New York it closed at DM 3.142, SwFr 2.6475, FFr 9.5575 and Y252.25. Page 39

STERLING was mixed in London. It rose 2.9 cents against the dollar to $1.237, was unchanged at DM 3.85, eased to FFr 11.725 (FFr 11.75) and SwFr 3.235 (SwFr 3.245) and improved to Y311.0 (Y305.5). The pound's exchange rate index rose 0.4 to 77.9. In New York it closed at $1.2185. Page 39

WALL STREET: The Dow Jones industrial average closed 10.80 up at 1,260.38.Section III

LONDON equities were firm, taking the FT Ordinary index up 2.8 to 991.1. Overseas demand enabled gilts to recoup losses sustained earlier in the week. Section III

TOKYO stocks fell back in dull trading leaving the Nikkei Dow market average down 40.89 at 12,474.51. Section III

FRANKFURT shares resumed their advance, after Wednesday's pause, taking the Commerzbank index up 4.1 to a record 1,224.5. Section III

GOLD rose $2 on the London bullion market to close at 315.50. It was also higher in Zurich at $315.10. In New York, the Comex June settlement was $314.30. Page 38

U.S. MONEY SUPPLY: M1 fell by $900m to a seasonally adjusted $575.2bn in the week ended April 29 1985.

BANK OF CHINA is to proceed later this month with its first bond issue on a European market since 1949, despite opposition from holders of pre-revolutionary bonds repudiated by Peking.

MR ALLEN MURRAY is to take over as chief executive of Mobil Corporation early next year following the retirement of Mr Rawleigh Warner who has headed the second biggest U.S. oil company for the last 17 years.

CARL ICAHN, New York financier, has taken a 20.5 per cent stake in TWA and is seeking control of the company, possibly through a merger with his ACF Industries.

BASF, the West German chemical group, increased pre-tax profits by 15.9 per cent to DM 742m ($230m) in the first quarter of this year. Page 21

PAN AMERICAN, the U.S. transatlantic airline group, blamed its month-long strike this year for a doubling in its first-quarter loss to $138.7m from $70.3m in 1984. Page 21

BAYERISCHE VEREINSBANK, the Munich-based commercial bank, is making a one-for-seven rights issue to raise DM 293.8m ($91.18m) in cash. Page 21

BERLINER BANK, which last June took the first step toward privatisation, raised group operating profit 5.4 per cent last year to DM 26.1m ($8.25m). Page 21

MANNESMANN, the West German engineering and steel pipes group, plans to pay an uncharged DM 4 dividend for 1983, after an 18.5 per cent increase in parent company profits to DM 128m ($40.5m). Page 21

UK groups close to winning $470m Thai bus contract

BY CHRIS SHERWELL IN SINGAPORE

A BRITISH consortium led by Leyland Bus is poised to secure a $470m contract to reorganise and re-equip Bangkok's vast, loss-making public bus system. It would result in one of the biggest export orders ever won by a UK manufacturer.

The choice of the Leyland consortium must still be confirmed by the Thai Cabinet and is subject to detailed negotiation, including the question of British Government financial aid.

Leyland Bus, part of state-owned BL's Land Rover-Leyland commercial vehicles division was yesterday reluctant to discuss the contract, which it said was unlikely to be signed for four to five months, even if all the hurdles were overcome.

The contract is highly important to the company. It has seen output, sales and workforce virtually halved since 1980 and yet still made what BL described as a "substantial" loss last year.

The consortium teams Leyland Bus with the National Bus company, Britain's state-owned bus corporation, and MVA Consultants of London, with Wardleys of London acting as financial adviser.

The group was a clear initial choice of a Thai evaluation committee when tenders from several of the world's biggest bus manufacturers were submitted to the Bangkok Mass Transit Authority (BMTA) in January. The nearest competitors were Singapore Motor & Leasing, which linked MAN of West Germany and Daewoo of South Korea.

Negotiations on technical and financial aspects of the British proposal were concluded last week. The BMTA yesterday confirmed that the committee and consortium had reached an accord, and that that would be put to the BMTA board next week before going to the Minister of Communications for a Thai Cabinet decision.

The contract calls for a transformation of the Bangkok bus system and a rescue programme for the BMTA, which recorded losses of 2m baht ($72,000) a day last year and has accumulated crippling debts of 4bn baht.

The British proposal involves the supply of 4,500 ordinary and air-conditioned Leyland buses, including 1,850 double-deckers, the construction of 24 bus depots, development of a training programme and a reorganisation of BMTA's management structure.

The authority operates 5,100 ageing buses, carries 5m passengers a day and employs 23,000 people. The new system is supposed to provide for a repayment of BMTA's debts and return it to profit without raising fares, which in Bangkok are a politically sensitive issue.

Some three quarters of the prospective value of the contract lies in the supply of buses, spares, computer hardware, maintenance facilities and depots. The rest lies in consultancy and management in implementing the overall reform plan.

Although the latest news means that the British consortium has successfully cleared a critical hurdle, several more might materialise before the contract is awarded. Among the most important are:

● Securing British Government support in the form of financial aid.

Continued on Page 20

Jaguar invests engineering plant, Page 9

Mitterrand rules out talks on new EEC treaty

By David Housego in Paris

PRESIDENT François Mitterrand of France yesterday effectively ruled out the possibility that an inter-governmental conference would be called later in the year to draft a new EEC treaty to replace the Treaty of Rome.

The President told an informal press briefing at the Elysée Palace of his determination to press forward with European political integration. One option was to press forward in that direction with some, but not necessarily all, of the Community's present membership, he said.

Senior officials said afterwards that M Mitterrand thought the EEC's summit in Milan in June could be followed by a smaller heads of government meeting of those states which wanted to move faster towards strengthening Community institutions.

Having previously appeared to favour an inter-governmental conference and a new European treaty – in line with the majority recommendations of the Dooge committee on European union nominated by heads of government – M Mitterrand's cooling on the idea will be seen as an acceptance of current political realities.

Britain, Denmark and Greece have opposed the idea on the grounds that there is no need for a revision of the European treaties. That would have made agreement on a conference highly unlikely at the Milan summit and M Mitterrand's statement yesterday that he was "not very keen" on the idea means that some alternative way forward will definitely have to be found.

Mrs Thatcher, the British Prime Minister, formally announced her opposition to a conference last week. While he had concluded that it was "not the best formula" for reinforcing Europe, M Mitterrand said that his objections were very different from Mrs Thatcher's.

Yesterday's briefing for a restricted number of French and foreign journalists was the first of the type that M Mitterrand has given in his four years as president. It reflected both the importance he attaches to European issues and his new policy of trying to strengthen his personal image against the possibility next year that he will be in conflict with a right-wing government.

M Mitterrand was critical of the world summit procedure, saying that the annual gathering of the seven had turned into a de facto institution without the rules which institutions have.

EEC budget compromise reached, Page 2

Moscow hard line irritates Reagan team

BY REGINALD DALE, U.S. EDITOR, IN LISBON

FRESH STRAINS emerged in superpower relations yesterday as leading members of the Reagan Administration expressed disappointment and open irritation with Mr Mikhail Gorbachev, the new Soviet leader, for anti-American comments in a speech marking the 40th anniversary of VE Day this week.

While the White House stressed that President Ronald Reagan remained ready to meet Mr Gorbachev, if and when he visits the U.S. later this year, a senior U.S. official admitted that relations with Moscow "could turn sour."

The official said that Mr Gorbachev had moved his own people into the Politburo and "undoubtedly offended some of the old guard." It was possible that to maintain stability and dampen criticism from within, Mr Gorbachev would need to posture and to issue hardline statements, he added.

As Mr Reagan neared the end of his difficult 10-day tour of Europe, Mr Larry Speakes, the White House spokesman, publicly criticised Mr Gorbachev's remarks as "not helpful." Washington had been surprised by the tone of what it regarded as a "hard-line speech," he said.

Mr Reagan added his own tart comment to the unfriendly superpower exchanges. Asked what he thought of Mr Gorbachev's statement that "American imperialism is at the forward edge of the war menace to mankind," the U.S. President demanded: "Who is he to talk?"

Mr George Shultz, the U.S. Secretary of State, who is to meet Mr Andrei Gromyko, the Soviet Foreign Minister, in Vienna on Tuesday, said that he would prefer to concentrate on a Soviet 40th anniversary message to the U.S. noting that "socially opposite states could work together" to achieve common objectives. If Mr Gromyko was prepared to make progress in Vienna, "I am," Mr Shultz said.

Mr Shultz, however, injected a bitter note with a remark that there was "undoubtedly a strong wave of

Continued on Page 20

The U.S. House of Representatives yesterday recommended that the Soviet ambassador to the U.S. be expelled if Moscow failed formally to apologise by June 30 for the killing of Army Major Arthur Nicholson, Reuter reports from Washington.

The vote, on a non-binding resolution, was 322 to 93. It represented an unusually strong demand for action by the House in retaliation for the killing of Maj Nicholson by a Soviet sentry in East Germany.

Portugal firm on independent foreign policy, Page 2

Loan losses may wipe out Continental Illinois equity

BY TERRY DODSWORTH AND PAUL TAYLOR IN NEW YORK

THE original shareholders of Continental Illinois, the Chicago banking group rescued with a $4.5bn federal bail-out last year, stand to lose almost all of their investment in the company.

According to a filing with the U.S. Securities and Exchange Commission (SEC), losses on $2bn in problem loans transferred to the Federal Deposit Insurance Corporation (FDIC) as part of the complex rescue package could total $800m. Under these circumstances the FDIC would have the right to take control of the bank, Continental Illinois Corporation (CIC), with a stake of over 85 per cent.

The warning to shareholders came from Continental Illinois Holding, the company set up last year as part of the rescue plan, in filings that gave the first estimates of the likely proceeds from problem loans transferred from the banking group to the FDIC.

Under the terms of the 1984 agreement, Continental Illinois has the right until September 1989 to transfer responsibility for up to $3.5bn in problem loans to the FDIC. To date the bank has transferred a total of $2.272bn of such loans, and it estimated that losses on these loans alone might range between $600m and $800m.

The rescue agreement last year provided that if the FDIC could offset any losses on the problem loans against the original shareholders' equity in the bank by taking one share in CIC for each $20 of losses incurred.

The banking group warned yesterday that if the FDIC loss reached $800m it would permit "the option to be exercised in full" resulting in the wiping out of the recently formed holding company – in which the shares of the original stockholders are held.

Japanese defend aid for Bosporus bridge project

BY CHRISTIAN TYLER AND DAVID BARCHARD IN LONDON AND CARLA RAPOPORT IN TOKYO

THE AIR is thick with political recrimination as the contract to build a second big suspension bridge over the Bosporus in Turkey is signed in Ankara today.

Complaints by British ministers about the Japanese aid loan that clinched the $551m project for a Japanese and Italian civil engineering consortium have angered officials in Tokyo.

The Japanese Government yesterday defended a proposed $205m aid loan to cover part of the cost of the contract in an effort to rebut UK charges that the prestige deal was somehow stolen from the runner-up consortium that included the British company Cleveland Bridge, a subsidiary of Trafalgar House. Japan's London embassy said Tokyo had not extended the loan to the consortium that entered the lowest bid, but to the Turkish Government.

It said it had had a "strong request" from the Turkish authorities and had offered the money on the basis of the project's feasibility and "to promote friendly relations between the two countries."

Four of the nine bidding consortia included Japanese companies, but the yen loan was "not extended with the purpose of supporting Japanese participating enterprises."

The Japanese ambassador to London, Mr Toshio Yamazaki, was expected to rebut British ministers' criticisms in meetings with the Foreign Office yesterday.

It was not clear last night whether the loan, costing 5 per cent over 25 years with a seven-year grace period, would have been pledged had the second-placed consortium of British, American, West German and Turkish companies won the building.

But an embassy official said last night that many Japanese development loans were made to cover projects on international tender by non-Japanese companies.

Details of the loan, which is for the bridge itself and a small part of the 200km of roadworks, are still being negotiated, the embassy said. Its statement emphasised that there had been no consultation between the governments of the winning consortium partners.

As the public wrangling continued, some discreet lobbying was going on in Ankara to see if the winning Japanese consortium might not still put some of the bridge building work Britain's way. According to one of the protagonists, the Japanese have already hinted they might do so, and the Turkish authorities are being told that British involvement would help them to meet their tight timetable.

Whatever the outcome, the incident has stirred up some old grudges that will not easily be laid to rest. Japan has been under a lot of political pressure from the West to open its market to reduce its trade surpluses. Mr Norman Tebbit, UK Trade and Industry Secretary, described the Turkish aid loan as incompatible with Japanese undertakings. In Tokyo, officials protest that "soft" development loans for poorer countries have nothing to do with it.

Continued on Page 20

Bonn sets same deficit target

BY PETER BRUCE IN BONN

THE WEST GERMAN Finance Ministry is hoping to hold next year's budget deficit to around DM 25bn ($7.8bn), the same as 1985, despite the planned implementation of the first phase of a two-step DM 20bn tax cut.

Bonn is due to fund only half of the planned tax cuts, with the Länder (states) absorbing the rest, but Herr Friederich Voss, parliamentary under secretary in the ministry, said that the Bonn deficit next year would still be DM 1bn under the amount scheduled in the government's four-year financial plan.

Herr Voss, following the lead set recently by Finance Minister Herr Gerhardt Stoltenberg, poured scorn on pleas to speed up the tax cuts as a way of boosting domestic economic activity. He said it was not clear how proposals for tax cuts by the Free Democrats (FDP), junior partners in the Bonn coalition, would be financed without departing from the Government's tight fiscal line.

He said any growth in government spending next year would be held to under 3 per cent, thereby keeping total outgoings below the DM 268bn set down in the financial plan for last year.

The DM 4.2bn that falls due to Bonn under the first phase of the tax reform had already been accounted for in the plan, he said, but further trimming of the deficit had been made possible by an extra DM 1bn transferred to the Treasury by the Bundesbank and a saving of some DM 1bn by the state due to lower-than-expected interest payments.

Government plans to partly privatise a number of state-owned operations would secure "some" cash for the Treasury next year, Herr Voss said. He would not say whether that included proceeds from the sale of some shares in Lufthansa, the national airline, but it is believed that Chancellor Helmut Kohl has finally secured agreement from Herr Franz Josef Strauss, the powerful Bavarian leader, to proceed with a modest sale that would cut the state's stake from 79 per cent to around 55 per cent.

Herr Strauss, also leader of the Christian Social Union (CSU), another Bonn coalition member, had opposed plans to sell off some Lufthansa shares for fear the airline might fall into totally private hands and no longer support Airbus Industrie, a principal source of Lufthansa aircraft, of which he is chairman.

North Rhine-Westphalia election, Page 20

CONTENTS

European Parliament agrees Britain's budget contributions

BY QUENTIN PEEL IN STRASBOURG

THE European Parliameot yesterday all but abandoned its long-running battle to unscramble the system for reducing Britain's budget contributions to the EEC, wben MEPs voted for a Ecu 28.8bn (£16.4bn) budget for 1985.

The centre-right majority in the European Parliament yesterday narrowly defeated a proposal that the EEC compensate Nicaragua for damage to its economy caused by a U.S. trade ban, Reuter reports.

Christian Democrats sided with Britisb Tory members to vote down a last-ditch attempt to put a time-limit on the system, which will allow Britain a reduction of Ecu 1bn this year, and two-thirds of its net contributions in future years.

The move clears the way for the CVommunity to bave an agreed budget in the course of next month, although the Parliament has still inclnded extra spending which is virtually certain to be rejected by the Council of Ministers.

The parliament's budget is almost Ecu 1bn more than the Ecu 27.9bn agreed by the Budget Ministers in Luxembourg last month, and would require member states to pay an extra Ecu 384bn in the current year, on top of the Ecu 1.98bn they have already agreed upon.

However, the key issue of principle facing the MEPS yesterday was whether to agree to the British payments being allowed as a reduction in VAT contributions to the Community, as decided at last year's Fontainebleau summit, or whether to insist that they should only be paid in the form of special spending programmes.

A majority of members believe that the British rebate system is illegal, because it means that different member states are effectively paying different rates of VAT contributions to Brussels, in contravention of the Rome Treaty. However they failed to obtain the necessary 218 votes for an absolnte majority.

The only reference left in the budget is a spending line for British "urban areas," witb no money in it, and no further explanation.

The extra spending inserted by the parliament susbtantially exceeds the "margin" of 1 per cent which it is allowed to add to the budget, and seems certain to fall foul of the council. It assumes extra EEC revenue will be available in the course of the year totalling some Ecu 232m, which the Council had cbosen to ignore.

The parliament also called on the member states' to increase their emergency financial package for the current year, to cover an estimated deficit of Ecu 417m for 1984—a move which would increase the size of the package from Ecu 1.98bn to Ecu 2.37bn.

French foreign currency premium wiped out

BY PAUL BETTS IN PARIS

FRENCH RESIDENTS can now buy foreign currency to acquire foreign sbares or securities without paying a premium. Premiums were first introduced by the Government in May 1981, as part of a battery of stringent foreign exchange controls to protect the franc and try to stem the flow of domestic funds into foreign securities.

The premium on the so-called "devise titre" has been literally wiped out in the past few days with the value of the dollar in the currency premium market now level with the free dollar-franc rate.

At the beginning of last year the premium was as mucb as 33 per cent above the free dollar-franc rate. It has been steadily coming down in recent months reflecting the greater confidence in the French currency and the increased interest by both domestic and foreign investors in French securities.

Norwegian spy trial awaits verdict

By Fay Gjester in Oslo

THE TRIAL on espionage charges of Mr Arne Treholt, former Norwegian politician and diplomat, ended yesterday with a final plea of innocence by the accused, in an open session of the court.

No verdict is expected for at least three to four weeks. The case has been heard by a panel of seven judges – there is no jury, in a Norwegian treason trial – and the seven are expected to take some time to reach their verdict.

Many sessions of the trial – which has been running for more than 10 weeks – have been closed to the public, because of the sensitive nature of some of the evidence.

Mr Treholt, 43, is alleged to have sied for both the Soviet Union and Iraq, and to have accepted payment for his services. The prosecution has called for a 20-year sentence – the maximum possible penalty under the relevant Norwegian law – as well as confiscation of NKr 1.1m ($121,200) which Mr Treholt is alleged to have received from Russian and Iraqi agents.

In his final plea, Mr Treholt claimed that his admitted encounters with Soviet agents – although "unconventional" and "at variance with formal rules" – had been aimed at increasing East-West understanding.

He had never revealed any military information or any other information likely to hurt the country's security.

The prosecution's demand for a 20-year sentence was "absurd and meaningless" and the allegations thet he had acted for monetary gain was insulting and hurtful "both to myself, my family and my friends."

Mr Treholt's defence lawyers have called for a verdict of innocent on all counts. They say the prosecution has not proved that he passed to the KGB any of the documents mentioned in the indictment, and that in any case the material involved – even if put in alien hands – would not hurt Norway's security.

The clause in the Norwegian penal code which justified the 20-year sentence for spying says the information revealed must actually threaten national security. Far milder penalties will apply if the court should conclude that the documents do not fit this definition – even if it decided that Mr Treholt did pass them on.

David Fishlock reports on Moscow's move to allow nuclear safeguard inspection

Focus on unique Soviet N-plant

THE CHANCES seem good that the Soviet Union will offer its small Bilibino dual-purpose nuclear station as one of perhaps four which will be opened for the first time to safeguard inspectors of the International Atomic Energy Agency in Vienna this summer.

The Soviets have promised that these plants will be inspected soon, so thet the results are available in good time for the Non-Proliferation Treaty (NPT) Review Conference.

However, academician Andrei Petrosyants, the Politburo's chief nuclear adviser, has made it plain that only reactors are to be inspected, not the fuel factories; and only the Russian pressurised water reactor (VVER), developed – like its American counterpart – initially as a submarine PWR. Even among their PWRs there are reactors too close to the Russian submarine reactor to be opened to international inspection.

Nor will the Soviets accept inspection yet of their RBMK reactor, the graphite-moderated system they have developed as a dual-purpose reactor making both electricity and copious plutonium for the nuclear weapons programme. They licence their PWR for construction abroad, provided all spent fuel is returned to the USSR, but they will not licence their "plutonium furnace."

The Bilibino reactor has a dual purpose – combined heat and power (CHP) – to provide heat as well as electricity and is a unique part of Russion nuclear technology. It has served a diamond mining town in the Chukotka region of the far north-east of the country since 1973 and has been of a considerable economic and social significance for the rugged region. It is cheaper to run than fossil-fired CHP plant.

Essentially CHP means that some of the low-pressure steam which would normally help to generate electricity is bled off as hot water. The waste steam from electricity-only stations is too cool to be used as heat for, say, district heating.

The Bilibino reactor helped to pioneer this Soviet speciality in nuclear technology, which has also been developed in Eastern Europe. A prerequisite is a reactor technology considered safe enough to be built close to built-up areas, in order to minimise the heat losses in long transmission lines, as well as the expense.

Bilibino, a 48 MW reactor, is about 25km from the nearest town. So is the Odessa CHP station, which when ready will consist of two 1,000 MW PWRs. By using the new Russian TK-450-500/60 turbines, two per reactor, the plant is designed to deliver 90 MW of electricity and 000 gigacalories per hour of heat per reactor. It is expected to meet peak heat loads as high as 3,000 Gcal per hour in the bad weather, however. Its heat lines, 1m in diameter, weigh 60,000 tonnes.

By opening Bilibino to international inspection, the USSR could give the West some insight into its progress with a purely civil nuclear technology unique in many respects to that nation.

Several Russian nuclear stations are already delivering small amounts of heat, from 30-200 Gcal per hour, according to a report in the current IAEA Bulletin. This heat goes to people in the vicinity of the station, mainly as hot water.

The Soviets believe, however, that there is a technical opportunity in the flat-dwelling populations of Eastern Europe for a single-purpose, heat-only nuclear system located close to the customer. They have developed a reactor for this purpose which has no counterpart elsewhere in the world. Two full-scale pilot projects are already under construction to supply district heating to the cities of Gorky and Voronezh.

At Gorky, the closed Siberian Community where Andrei Sakharov the dissident scientist is confined, the nuclear heat plant (NHP) is being built only 2km from the city boundary; although the average distance to its centres of demand is 10 km. Its twin 500 MW reactors are expected to repalce 270 small fossil-fuelled boilers, and to meet 50 per cent of the energy requirements of a hot-water "heat grid" 60km in length. It is expected to come into service in three years' time.

According to IAEA officials, the nuclear reactors will provide the base load with fossil fuel used to meet peaks in demand. But the closed system will also include hot-water storage to help smooth the demand.

The reactor the Soviet Union has designed for this purpose is low-rated in temperature and pressure by conventional PWR standards. One major safety feature is the way its pressure vessel fits snugly into the reactor containment.

Should the steel pressure vessel lose its cooling water for any reason, the concrete containment would flood to sufficient depth to cover and cool the nuclear fuel. In effect, the containment serves as a second pressure vessel.

Another safety feature, designed to avoid any risk of radioactivity finding its way into the hot-water supply, is the use of three circuits to isolate the reactor.

The primary circuit is entirely within the reactor vessel. An intermediate circuit of 50cm diameter pipes then transfers its heat to the heat-grid itself. It operates at just over half the pressure of the primary circuit.

Two versions of this NHP reactor have been designed, the AST-500 of 500 MW heat capacity, planned for Russian cities, and the AST-300, of 300 MW heat capacity, seen as enlarging the potential export market for NHP reactors. But there are indications from neighbouring nations that still smaller reactors, 100-200 MW, may be more welcome.

Several East European countries are already investigating nuclear district heating, according to IAEA officials. East Germany, for instance, has established that the AST-500 has basic characteristics that match the requirements of its cities, including thet of Berlin, the biggest.

At present, E. Germany burns 80m tonnes of brown coal annually to supply district heat. But it is exploring heat extraction from its 440 MW PWR at Bruno Leuschner.

Bulgaria, with the highest proportion of nuclear electricity – over 30 per cent last year – of any Comecon country, expects nuclear heat to begin to meet some of its district heating demand. It has 27 centralised heat-supply systems, of which two – for the cities of Sofia and Plodov – are expected to exceed 1,000 MW by the end of the decade. But Bulgaria is one which sees a need for heat-only reactors of 100-200MW capacity.

Czechoslovakia is another. It believes 500 and 300 MW heat-only reactors have limited scope compared with 100-200 MW Reactors, and plans to tackle what it sees as new design concepts needed for such small plants. Meanwhile, it is planning to tap nuclear heat from its Dukovany nuclear power station, with four 440 MW PWRs, to supply 500 MW as hot water for a 40km grid already under construction for the city of Brno.

Unesco reform battle resumes

PARIS – A long-running tug-of-war over the future of Unesco, the United Nations Educational, Scientific and Cultural Organisation, resumed yesterday with a loose coalition of Western countries pressing for big changes in its programmes and management.

A six-week session of the 51-member executive board will set the stage for the troubled organisation's general conference in Sofia in October.

After the general conference will come the make-or-break point when leading contributor nations who have been pushing for reform will have to decide whether to follow the U.S. in withdrawing.

Britain has already given notice of withdrawal at the end of 1985 but diplomats say it is more likely to reconsider than the U.S. was at the same time last year, providing its goals are achieved.

Other countries which have said they will reconsider their position in Unesco are West Germany, the Netherlands and Japan.

Diplomats say the executive board session will be crucial because its recommendations, particularly of Unesco's programme for 1986–87 will point the way towards wbat is likely to be approved in Sofia.

At recent board meetings, developing countries and the Soviet bloc have strongly resisted attempts, led by five Nordic nations, to concentrate Unesco's programmes and set clear priorities.

The Western view is that Unesco should stick to activities which have all-round support, cut back on theoretical studies and drop issues such as disarmament which are handled elsewhere in the UN system.

Reuter

Portugal tells U.S. it will continue Nicaragua trade

BY DIANA SMITH IN LISBON

PORTUGAL INTENDS to continue trading with Nicaragua and to press energetically for greater support for the Contadora group's attempts to find negotiated solutions in Central America, whatever U.S. current policies.

This stance was conveyed to Mr George Shultz, the U.S. Secretary of State, by Sr Jaime Gama, his Portuguese counterpart, at late night talks on Wednesday following President Ronald Reagan's arrival here.

Portugal has only modest trading links with Nicaragua but it seems that it was slightly upset at not being told in advance of the U.S. trade boycott. On the question of negotiated settlements for Central American conflicts, the Portuguese have long held that dialogue with, not support for, the Contras in the case of Nicaragua is the best route for reconciliation.

Sr Gama also voiced his Government's belief that, until recently, the U.S. had favoured Indonesia in the ten-year-old drama of East Timor, the former Portuguese colony annexed forcibly by Indonesia after the Portuguese military hastily pulled out in 1975.

Following a longstanding attitude of Portuguese governments, Sr Gama said that more financial and military aide should be given by the U.S. to Portugal in return for its use of the Lajes air base in the Azores. If Congress approves, about $1bn in civilian and military aid is likey to come Portugal's way over seven eyars.

The Portuguese, however, feel this is not enough.

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EUROPEAN NEWS

Moscow marks war anniversary with a show of strength

BY OUR MOSCOW CORRESPONDENT

CHEERS ECHOED through the centre of Moscow and vintage tanks rumbled across Red Square yesterday as the Soviet people celebrated for a aecond day the 40th aniversary of the victory over Nazi Germany.

Mr Mikhail Gorbachev, who was a provincial schoolboy at tbe time of the war, led other Soviet leaders in viewing from Lenin's mausoleum a spectacular parade which culminated months of other celebrations across the country.

At the 50-minute parade of *present-day troops*, veterans and old and new military hardware, Marshal Sergei Sokolov, the Defence Minister, said tbat whatever the West dld tn belittle the Soviet role in the war, the truth could not be denied.

"The whole world knows lt was the Soviet Union that made *the decisive contributinn to victory*, to the ilberation of the peoples of Europe from fascist captivity, to the saving of world civilisation," tha 73-year-old marshal sald. Some 20m Soviet people died in the war.

But he did pay tribute to the United States, Britain and other *wartime* allies for their role in defeating Hitler. Although the U.S. ambassador stayed away from the parade, Britain's envoy and some other Western ambassadors attended.

Other spectators in Red Square included Mr Gorbachev's wife Raisa and daughter Irina.

While pledging Soviet determination to show goodwill to the West, Marshal Sokolov warned that retribntion would be inivitable "for anyone who encroaches on the peaceful work of the Soviet people."

Mr Gorbachev, made a similar point at a Kremlin rally on Wednesday when be recalled the *detente of* the 1970s but accused the U.S. of poslng a threat to world peace. He and President Ronald Reagan both called for an end to nuclear arms in brief greeting messages printed in special VE7 Day newspapers.

Marshal Sokolov, made Defence Minister in December and a non-voting member of the politburo last mnnth, reviewed assembled trrops and veterans from an open-tnpped car befnre delivering bis speecb to mark "The Soviet penple's *victory* in the great *patriotic* war," as it is known here.

What followed easily overshadowed the customary November 7 National Day military parades. Rank after rank nf young troops strutted *across the square, joined by* proud veterans aporting cbestsful of medals. One-time underground fighters and partisans in flat caps joined the ceremony.

War-vintage T34 tanks and *Katyusha rocket launchers* led the noisy driva past of military vehicles, followed by modern tanks, anti-aircraft weaponry and mobile nuclear rocket launchers.

Compromise sought in Swedish labour dispute

BY DAVID BROWN IN STOCKHOLM

A MEDIATION board in Stockholm continued to work late last night in an attempt to reach a last-minute compromise in Sweden's public sector labour dispute which has been deadlocked for a week.

The board is working under a government threat to impose a retaliatory lockout at midnight tonight against 80,000 members of the TCO-S state white-collar workers' union, whose selective strike action began last Thursday.

Although agreement is not expected before the weekend, the mediators are also seeking a deal under which *the lockout will* be reduced in size or postponed in exchange for an agreement by the union to allow certain key personnel – notably customs officers – to return to work.

The two sides have been deadlocked throughout the week over the union's demand that immediate compensation *be paid to its 285,000* members – whose wages fell behind those of *industrial workers in 1984* – as a condition of settlement.

E. German growth highest in East bloc

By Leslie Colitt in Berlin

EAST GERMANY'S economy continued to grow at a faster pace than those of other East European nations in the first fnnr months despite the impact of a severe winter on them all.

National incomes (equivalent tn GNP minus services) rose 4 per ceni, against a 4.5 per cent target. Industrial production was np by 4.3 per cent (3.8 per cent target) and labour productivity by 6.9 per cent (7.1 per cent). Agriculture, too, was said tn have met its goals although no overall figures were given.

Retail trade turnover—one indicator nf the atandard of living—increased hy 3.5 per cent compared with a 4 per cent target. Expansinn in this sectnr has lagged well behind the *five-year plan's goal* because of higher exports tn both the Soviet Union and the West.

The Government ascribed the "dynamic" results to measures taken to assure energy and raw materials supplies.

Outpnt of industrial robots in the first four months was 29 per cent higher than in the same period last year, according to the official report. Some 13,500 more will join the 43,000 existing nnes this year. East European engineers point out, however, that East Germany's definition of a robot is "mnch wider" than in the West or even tn several nther Comecon countries.

The 1985 plan calls fnr 22 per cent of East German industrial products to be new ones. But its problem, as in the other East European countries, is that production nf n new ltem does not mean it is internationally competitive.

● West Germans will be able to use their credit cards in East Germany under an agreement between the twn conntries' central banks. Until now East Germany nnly accepted major credit cards issued outside West Germany as there was no provision for settling accounts between the two national banks.

Bills are to be settled at the official exchange rate of DM 1 for one East German mark.

VW backs catalytic converter to meet EEC exhaust rules

BY JOHN GRIFFITHS IN LONDON

THE TRUE lean-burn engine, capable of meeting tough new exhaust emissions standards and expected to be announced fnr the EEC next month, is still some years from being a producbon possibility.

Its extra cost compared with a conventional petrol engine is unlikely to be less than the £400–£500 ($600) required for a three-way catalyst-equipped car, according to Dr Ulricb Seiffert, Volkswagen's head of research.

As a result, while Volkswagen is olso "well advanced" in alternative technology including lean-burn engines, it lavours the catalytic converter as the most nppropriate techoology to meet the expected standards, Dr Seiffert said in London.

In company with Jnbnson Matthey Chemicals, the UK group wbich is a principal supplier of catalyst materials to Japan and the U.S. as well as in Europe, Dr Seiffert was explaining VW's stance towards the new intended standards. *VW wants to clear up what it says* are widespread misconceptions about the *alternative technologies*.

VW's approach appears to be at odds with *those of some* rival manufacturers such as Ford, Fiat and BL, which bave taken the view that the envisaged standards can probably be met with lean-burn engines, possibly fitted with simple oxidation catalysts, at significantly lower cost than 3-way catalysts – at least for cars of under two litres.

Virtually the entire European industry accepts that n timetable agreed by EEC environment ministers in March fnr the introduction of the new standards means that the 3-way catalysts will bave to be fitted to over 2 litre cars.

The timetable requires these to meet the new standards in 1988, wbereas standards for smaller cars will be implemented in stages and will not be fully effective until 1993.

Despite EEC ministers agreeing on the timetable for the new standards, manufacturers are faced with continuing uncertainty, at least until the precise standards are set out. A Brussels announcement has been promised before June 30.

So far, ministers have said only that the standards will be intended to have an environmental effect equivaleot to those already imposed by the U.S.

A further complication, however, could see the final regulations delayed until next year. This is because the maximum levels nf nitrogen oxides, carbon monoxide and hydrocarbons allowed by the U.S. are derived by vehicle testing cycles inappropriate to Europe, where car types, road networks and driving pntterns nre significantly different. There is room for further disagreement within the EEC nn possible changes to its own testing cycles.

Dr Seiffert said that in principle, VW endorsed the EEC statement of intent nn the intended effect of the standards, and called for a "once and for all" decision setting limits sufficiently low so as not to require further reductions at a later date. However, it can be expected that nther manufacturers, more firmly opposed to lean-burn technology, would welcome a less stringent approach.

The uncertainties continue to be costly to manufacturers. Ford, for example, diverted 400 of its 5,000 European engineers to a crasb $200m programme to develop catalyst models in tandem with lean-burn research.

VW is particularly well-placed among Europe's volume car makers *in regard to catalyst technology*. Its Golf models have been produced for *some years* in the U.S., where catalysts are compulsory.

By midsummer nf this year, VW will be in a position to offer European markets a version of every petrol model in its range with 3-way catalysts, said Dr Seiffert.

The company is also intending to introduce *"retro-fit"* catalytic converter kits, housed within a stain*less steel exhaust system*, for cars built since 1980. Although not as effective as the latest systems, which incorporate lambda sensor and electronic controls, they can still reduce nitrogen dioxide emissions by 50 per cent.

VW is taking a sufficiently serious view of the need for more catalytic converters to bave decided to *increase output of converters* from its Kassel, West Germany, plant *from 2,000* to 8,000 *units a day*, using catalysts supplied by Johnson Matthey.

Dr Seiffert acknowledged that use of *converters would entail some* penalties in terms of fuel consumption and performance, of the order of 5 per cent.

OVERSEAS NEWS

Peter Blackburn on the problems of an irrigation project

Senegal faces trouble

THE $3bn Senegal River development scheme, concerning three hungry, drougbt-stricken West African countries, is a striking illustration of the difficulties encountered by large irrigation schemes.

The project was launched by Senegal, Mauritania and Mali in 1973 in response to the great drougbt that bad devastated the Sabel region. Now it seems that a second, manmade, disaster is developing.

Plans to harness the resources of the Senegal River date back more than half a century but had been delayed by financial constraints and disagreement over the project's scope.

The scheme involves the construction of two dams and the irrigation of 375,000 bectares, mainly for rice farming. Apart from making the three countries more self-sufficient in food, it should also provide security for the valley's 500,000 hard-pressed inhabitants.

The project should also provide year-round *access to the sea for* land-locked Mali as well as power *for iron ore and other mining* schemes in the remote interior.

It *took the* three countries *eight* years to raise the $750m needed to *finance the first phase involving* the construction of two dams at Diama and Manantali. The money was eventually provided mainly by Arab funds with substantial contributions from the European Development Fund and West German and Freocb bilateral aid.

A Franco-Spanish consortium began construction in September 1981 at Diama near the entrance to the delta some 26km north of St Louis, Senegal's former capital. A West German group started work at Manantali, some 1,200km upstream, in May 1982. However, many experts doubted whether two dams were really necessary and saw them mainly as a manifestation of Franco-German rivalry. The Diama project is intended to prevent salt water *flowing* upstream during the dry season and enable year-round cultivation of an extra 42,000 hectares.

The much *larger Manantali* dam, located in western Mali, is designed to provide a regular *flow* of water for irrigation, power generation and navigation and should be completed in April 1988.

Some donors, *notably* the World Bank, doubted whether the scheme *was viable* and argued *that there* were much cheaper ways of raising food *output*, including improvement of traditional farming methods.

However, large-scale irrigation schemes, particularly those which also promoted regional co-operation, were still in fashion. The host governments also staked their prestige on its successful implementation.

Arab countries were still awasb with petrodollars and looking for spectacular ways of supporting African countries reeling from two oil price shocks.

The scheme would also provide work for West German and French construction companies and equipment suppliers for nearly a decade.

As a result, doubts whether Senegal, Mauritania and Mali would be able to service the debt incurred in financing the dams and irrigated perimeters, or even meet recurring costs, were glossed over.

So were misgivings as to whether there would be sufficient funds nr technical knowhow to maintain irrigation pumps and canals. The cost of training and *technical* support for farmers was not fully provided *for. Rivalry and difficulties* in coordinating aid supplied by 13 don*ors were underestimated*.

The SAED, based in St Louis, is the *largest of three national* companies set up to promote agricultural development in the Senegal River Valley. It employs nearly 1,000 people and has developed 80 per cent of the 39,000 hectares of irrignted perimeters in the valley.

SAED bad planned to sign a second three-year mandate for 1984–87 with the Senegalese Government last July. The mandate would have covered a $110m investment programme involving the development of a *further* 11,500 hectares of rica perimeters and rehabilitation of 8,000 hectares of large perimeters in the delta region.

SAED planned to double paddy rice output to 155,000 tonnes by 1986–87 and produce 50,000 tonnes of fresb tomatoes and 15,000 tonnes of maize and sorghum.

Priority would be given to developing *smaller perimeters* in the middle and upper valleys around Podor, *Matam* and *Bakel* so as to redress the imbalance with the *large perimeters* in the *more fertile* delta region.

The Seoegalese Government has been asked to absorb SAED's outstanding debt of *$7m as well as to* finance social services – such as *technical assistance and training* – costing an annual $3.5m.

However, the *Government's* inability to meet its financial commit*ments during SAED's* first mandate from 1981 to 1984 aggravated the *organisation's indebtedness* and caused donors to suspend contributions *towards* new investments.

Delay in sighting SAED's new mandate reflects both the financial problems as well as difficulties in defining the company's future role.

Some Senegalese planners and aid donors criticise *SAED* for being "inefficient and expensive." They are pressing for *SAED* to withdraw from production, marketing and processing within five years and to hand over these activities to private companies and producer groups.

SAED was set up in 1966 to irrigate 30,000 bectares in the Senegal River Valley. But after 15 years it had only developed 10,000 bectares and rice production rarely rose above 12,000 tonnes n year. Investment was focused on large, beavily-mechanised perimeters where cost was no consideratinn and farmers were treated as labourers.

SAED was comprebensively reorganised in *1980* and new *management* appointed. Since then it has *increased* the *irrigated* area by 40 per cent and doubled output.

Observers point to the premature award of some contracts with *wasteful results. For example*, a new Polish-built fishing port at St Louis stands deserted and the fish freezers are already rusting. Work has not yet started on a dyke to provide safe access for fishing vessels to the Atlantic.

SAED's two rice mills – the most profitable part of the operation – would apparently be the first to be privatised.

A key question is who should benefit from the beavy public infrastructure investment – large-scale agro-industry, producer organisations or small private farmers?

SAED is trying to encourage the latter, particularly in the delta region where there is already a marketable rice surplus and land pressure is not so intense.

Another problem SAED has to contend with is how to harmonise aid supplied by 13 disparate donors. One donor, arguing in terms of efficiency and economy, wished to supply a single pumping station for 500 hectares. But SAED insisted on 10 small stations because these fitted in better with its plans to transfer operations to the farmers.

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Migrant workers quit S. African township as 16 die in fighting

BY ANTHONY ROBINSON IN JOHANNESBURG

THE DEATH toll in five days of fighting between migrant workers and township inhabitants in Tsakane east of Johannesburg rose to 16 yesterday. Later police reported that tension had subsided following the exodus of the 1,800 migrant workers who are being sent back to their distant homelands.

The eruption of ethnic violence between Xhosa and Zulu migrants from rural tribal areas and settled urban township inhabitants has added another dimension to a complex pattern of black-against-black violence which has its roots in high unemployment as much as political frustration.

Attacks on the lives and property of black local councillors and their families, the first targets of black violence, are still continuing, but less frequently as most have now either resigned or left the townships.

Increasingly the violence is between supporters of the United Democratic Front (UDF), the multi-racial anti-apartheid organisation which the Government claims is a front for the banned African National Congress (ANC) and the radical, black consciousness Azanian Peoples Organisation (Azapo).

Moves are now underway to seek a truce between the two movements to limit the opportunities for the authorities to capitalise on intra-black rivalries.

The Government for its part has just announced a R100m (£41m) emergency job creation programme to provide jobs in rural and urban areas in an attempt to ease the underlying pressures.

It has also put flesh on the announcement by Mr Gerrit Viljoen, Minister of Co-operation and Development, last January that the Government was reviewing its policy of forced removals of blacks. Removals will still go ahead in some areas but 700,000 blacks in 52 townships around the country have had the threat of removal removed and the emphasis will now switch to infrastructure development and new house building.

Reports continued to flow in yesterday, however, of continuing unrest, arson and stone-throwing in Soweto, the largest black township, south of Johannesburg, and elsewhere in the country. Combined police and army patrols moved into the township of Fort Beaufort and Adelaide in the Eastern Cape in a repeat of similar operations carried out in other Eastern Cape townships over the last few days.

The army yesterday reported its first fatality after six months of such combined operations when a 24-year-old soldier was killed in a head-on crash between two armoured vehicles.

Meanwhile the police yesterday reported that a second man had died in police custody following the death on Monday of trade union organiser, Mr Andries Raditsela. The second victim was Mr Sipho Mutsi, a 20-year-old student activist.

Mr Mutsi was taken to the Odendaalsrus police station in the Orange Free State last Saturday night and was confirmed dead on his arrival at Bloemfontein hospital the next day.

Richard Johns reports from Amman on the contradictions surrounding the Shultz visit to the Middle East

Peace process pursued through a cloud of confusion

CONTRADICTION and confusion pervaded Amman this week on the eve of the visit by Mr George Shultz, the U.S. Secretary of State, to sound out prospects for a new round of Middle East peace talks.

A high-level Jordanian-Palestinian delegation departed for Peking at the beginning of a diplomatic offensive aimed at promoting the peace initiative agreed by King Hussein and Mr Yassir Arafat three months ago.

But, just as they prepared to leave several members of the Palestine Liberation Organisation's executive committee were denying that the Hashemite monarch and the chairman of the PLO had settled on a formulation of a joint team to enter into a dialogue with the U.S. on the possibility of negotiations with Israel. Senior Jordanian officials, on the other hand, said that compromise on Palestinian participation had been reached.

Mr Shultz is due to arrive in Israel today, followed by trips to Cairo tomorrow and Aqaba, for talks with King Hussein, on Sunday. The indications are that a list of names to be included in a prospective Jordanian-Palestinian delegation, acceptable to the U.S. and not objectionable to Israel, has been finalised in advance of the talks. But beyond that, prospects for the initiative remain murky.

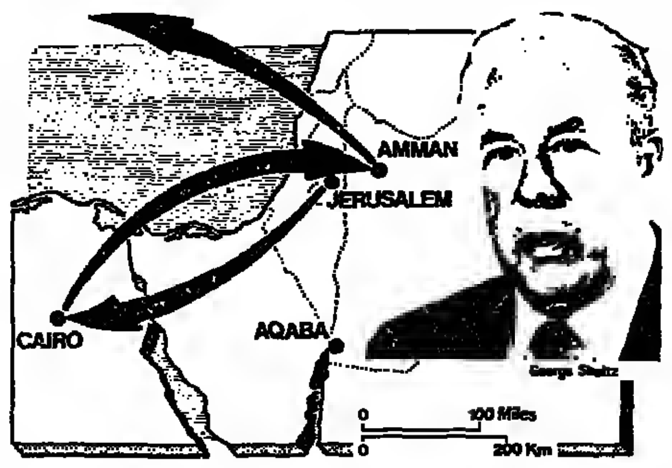
Mr Arafat is reliably understood privately to have given his blessing to a formula whereby members of the Palestine National Council, or parliament-in-exile, who are not members of the PLO or the fighting groups under the organisation's umbrella would participate. His colleagues' denials were in line with the decisive of the executive committee in Baghdad a fortnight ago which rejected such a formula as well as the alternative U.S. condition for PLO participation—acceptance of United Nations Security Council resolution 242 and Israel's right to exist.

Procedurally, a fudged and ambiguous compromise was probably the only way out. Whatever the status of Mr Arafat's endorsement, it might not appear to be the best basis for the dialogue first proposed in March by President Hosni Mubarak of Egypt.

Earlier this week, Mr Taher al Masri, the Jordanian Foreign Minister, acknowledged that prospective talks would be "a long process and a risky one."

But there can be no doubt about King Hussein's sincerity and concern that they should go ahead as a precursor to substantive negotiations.

The "historic responsibility" felt by King Hussein for recovery of territory occupied by Israel in 1967 derives mainly from Jordan's participation in



the war in support of Egypt, which brought about the loss. Over half of his country's population is of Palestinian origin, and he regards the solution of the Palestinian problem as an important insurance for his regime's long-term survival.

A little more than a year ago, however, the King, was gloom-ridden, almost to the point of washing his hands of the issue, and bitter in his publicly-stated disillusionment with the U.S. over its wholesale backing for Israel. With the West Bank virtually annexed, and the ownership of more than half of it wrested from its Arab inhabitants, a number of factors prompted him to attempt to seize "the last chance" of a settlement.

The split in the PLO and the greater scope for manoeuvre gained by Mr Arafat, the return to power of the Labour Party in Israel, albeit in coalition with the hard-line Likud, the emergence of a stronger moderate Arab axis as a counterweight to rejectionist Syria, and, finally, the landslide return to power by President Ronald Reagan all contributed.

Although qualified by sensible caution and tinged with some desperation, Jordanian optimism rests partly on a belief in what is perceived to be the moderation of Mr Shimon Peres, the Israeli Prime Minister, and his stated commitment to consider some kind of deal over the West Bank.

The hope is that buoyed by the success of talks, the early withdrawal of troops from Lebanon, the Labour Party, campaigning on a peace ticket, might be returned to power if an election was called, without the encumbrance of a Likud partnership.

As for the PLO, the assumption, or hope, in Amman would be that it will make necessary concessions in time, including the acceptance of UN resolution 242, which King Hussein failed to achieve at the PNC meeting here in November.

The Jordanian time frame for a settlement is evidently a short one, a mere two years or so. "We want to start the ball rolling. Once the ball starts rolling, anything could happen," says Mr Masri. In the face of what most observers would regard as considerable wishful thinking and with intimate knowledge of its strategic partner, the U.S. Administration is sceptical, while anxious not to dampen the optimism and undermine endeavour. The State Department realises that for the indefinite future, no Israeli politician could contemplate both dealing with the PLO and surviving.

An immediate PLO recognition of Israel and renunciation of violence would make no difference, U.S. diplomats say. Even with such a concession, PLO entry into any new peace process would kill it at birth.

Moreover, Washington rejects the proposal for an international conference involving members of the UN Security Council and Syria, which is part of the February 11 accords. Indeed, both Moscow and Damascus condemned the joint initiative.

Having apparently drifted to the conclusion that the problem of a Palestinian homeland was too intractable to solve, the U.S. Administration reacted slowly and cautiously to Mr Mubarak's proposal for an American dialogue with a joint delegation.

Subsequently drawing a distinction between members of the PLO and the PNC, it now sees such a forum as a possible means for bridging eventually the chasm between Israel and the PLO. Mr Shultz may be able to obtain Israeli acquiescence to the idea of a U.S. official talking to a PNC member fairly quickly.

In the meantime, the State Department is stressing that the main purpose of Mr Shultz's visit to Jordan is to sound out and gauge King Hussein's thinking before his visit to Washington at the end of May. As for the dialogue, with the joint Jordanian-Palestinian delegation, Mr Shultz and his aides are very anxious not to raise any false expectations.

Lebanese bomber kills three

A YOUNG Lebanese woman suicide bomber blew herself up and killed two others in an explosion yesterday morning in the Israeli-controlled area of southern Lebanon, David Lennon reports from Tel Aviv.

The woman detonated the explosives in a suitcase she was carrying, when asked to open it by members of the Israeli-backed South Lebanon militia. The incident occurred near the village of Hasbaya in south-eastern Lebanon. A member of the militia and his wife, who was with him in their car, were killed instantly by the massive explosion.

Last month, another young Lebanese girl blew herself up when she drove a bomb-laden car into an Israeli checkpoint in southern Lebanon. Two Israeli soldiers died in that incident. In March, 12 Israeli soldiers were killed, when another car bomb exploded near the Israeli border.

Israeli exports to Lebanon, Page 7

Pakistan aid pledges 'a vote of confidence'

MR MAHBUBUL HAQ, Pakistan's Minister for Finance and Planning said on Wednesday that the pledge by the Western aid consortium on Tuesday of $2.1bn assistance to his country for fiscal 1985-86 which starts July 1 is "a tremendous vote of confidence," and an indication of "wholehearted support for the economic policies of the newly elected Government.

"The Pakistan consortium has pledged total foreign assistance of $2.1bn which exceeds Pakistans request for $1.8bn," he said.

Seven die as Gujarat rioting flares again

Trouble flared once again in the riot-torn state of Gujarat in Western India on Wednesday night when seven people were killed in police firing after sectarian clashes in Ahmedabad, the capital, despite a curfew, K. K. Sharma reports from New Delhi.

The clashes came after the state government led by Congress-I Chief Minister Madhavsinh Solanki had won a brief respite after 1.2m state employees called off a two-day strike connected with the two-month-old agitation over job reservations for the backward castes.

Peking food prices likely to soar

By Robert Thomson in Peking

FOOD PRICES will rise sharply in this city of 9.3m people as part of the Government's continuing economic reform.

Subsidies on pork, beef, mutton, poultry and fish will end in a loosening of control over the market and in an attempt to make food prices better reflect the costs of production and transport.

In announcing the rises, which take effect from shop opening time today, Han Boping, the vice-mayor of Peking, said the Government hoped to make the economy "more active."

"It is another step in the reform of our economy," Han said. "In recent years the Government has purchased commodities at high prices and sold them at lower prices. The Government has had a big loss."

Peking workers will receive a monthly subsidy of 7.5 yuan (about £2, the equivalent of about a tenth of the average monthly wage) to compensate them for the price rises, and Han said he was confident that this would be enough to satisfy disgruntled consumers.

Nevertheless, shoppers crowded the capital's markets yesterday to snap up meat and vegetables before the price rises took effect. While there was no sign of panic buying, counters were being fast emptied, and queues formed in some places to buy even low-quality fatty pork.

Fish prices will rise by as much as 340 per cent, pork by 36 per cent, mutton by 80 per cent, and chicken by 47 per cent. Subsidies will continue for grain, and its price will not be affected.

Signs began appearing in Peking food shops on Wednesday announcing that a rise was on the way, but did not specify how large the increases would be.

Just over 20 other cities have had price reforms. However, the effect on Peking has been particularly severe because the city is not self-sufficient, and large quantities of food have to be imported from other areas. The food transport costs have been covered by the subsidies.

"Prices should change according to the relationship of demand and supply," Han said. "The retail price will float with the different seasons and according to the cost."

Australia's trade deficit up

BY MICHAEL THOMPSON-NOEL IN MELBOURNE

A SURGE in imports helped push Australia's trade deficit for the nine months to March to A$1.6bn (£950m), against a trade surplus of A$161m for the same period last year.

As a result, the balance of payments deficit on the current account grew to a record A$8.3bn for the nine-month period, up almost A$3bn.

The Government had insisted recently that it is fully in control of the economy, despite a sharp devaluation of the Australian dollar.

Next Tuesday, the Treasurer, Mr Paul Keating, is due to make a financial statement in Parliament emphasising the Government's determination to hold down government expenditure.

AP-DJ adds from Canberra: The Government is expected to spend A$68.26bn in the year ending June 30 1986, up 6.7 per cent from A$63.95bn budgeted for the current financial year.

According to estimates released yesterday, the Federal Government's spending as a share of gross domestic product is expected to reach a record high of 31.1 per cent in the next fiscal year.

AMERICAN NEWS

Ian Hargreaves in Houston charts the decline of the J. R. Ewings in the U.S. oil business

Offshore lifebelt for industry in deep water

MOST PEOPLE agree that Houston's offshore technology conference is not what it used to be. Three years ago, at the peak of the oil boom precipitated by the Iranian revolution, more than 108,000 people attended the conference at the sprawling Astrodomain complex. Hotels were full, you had to queue to get a lunch table et the downtown Houston Club and legends were created about the free-spending behaviour of rich oil men and their ladies.

This week, with around 50,000 visitors expected, the Houstoo Club was as quiet as a thin day at the Reform Clob in Londoo and the people strolling around the exhibitioo's 2,300 stands had tho look of engineers and salesmeo — distinctly corporate, Alligator skin boots and white hats were definitely oot in fashion.

"There's been an upgrading of the quality of the exhibits and the visitors. People coming by to talk are business people. In past years we had e lot of secretaries and cowhands who weren't too viable as potential customers," says Mr Ned Broun, vice president of Hughes Tool, e leading U.S. oil services company, and also presideot of the petroleum equipment suppliers' association.

Cowhands and J. R. Ewing look-alikes have of course always been only one element in the U.S. oil scene, where the biggest drilling dollars have always beeo dispensed by corporate giants like Exxon and Shell.

But with natural gas prices still sliding in the U.S. and banks nervous about energy lending following past profligacy, times are hard for the small men. Many have left the business altogether and most can no longer afford to take part in the expensive bit of the oil industry—offshore exploration and production.

The big players in the offshore game also have their worries. Apart from shaky oil prices, they fear the Treasury's proposed tax simplificatioo programme will add to their taxes. The business of leasing offshore tracts is also, as usual, in a mess of dispute between Washington, state governments and the environmentalists.

Mr Donald Hodel, the Interior Secretary, told the conference this week thet exploratioo moratoria forced through by Congress had already locked in a potential 1bn barrels of oil in the last four years. Somo exploration budgets heve also been drained by the takeover wars which have gripped the industry in the last two years.

So it is oot surprising that OTC is less of a hoedown this year and more likely any other trade fair—serious, purposeful and a little dull.

The main theme has been the need for new technology and management approaches to activities in deeper weter. "For the first time, we are going to have to tamper with success. We are going to have to shed some tried and true ways of doing things offshore that have consisteotly produced satisfactory results for us," Mr Harry Longwell, vice-president for production with Exxon, told the conference's opening session. "We have to live with a new 'comfort index'."

Among the compooents of that index, according to various speakers, will be the following:

● The oeed to reduce weight on platforms by using lighter composite materials and ceasing to install extensive crude processing equipment at the wellsite.

● Designing drilling platforms which are "compliant with nature," that is move more freely with weves and tides. One example of this epproach is Conoco's tension leg platform, recently installed in the North Sea's Hutton field. Conoco woo a major award this week for the Hutton developmeot and is now planning e redesigned version of the platform for its Green Canyoo field in the Golf of Mexico, for use in water 1,800 ft deep, compared with 485 ft for Hutton.

● An effort oot to waste boles; drilling boles used for delineating a reservoir should be made in such a way that they can be used later as production wells or for injecting fluids into the reservoir.

● More careful three-dimensional seismic work before drilling begins.

"Ten thousand feet is within the technical reach of the industry," says Mr John Bookout, chief executive of Shell Oil. "Success will go to those who replace their productioo et the lowest cost."

So far, however, the industry's march into deeper water has brought mixed results. Shell is producing oil in the Gulf from 1,025 ft, the deepest in the world —but the same company's record-breaking wildcats, almost 7,000 ft deep off the U.S. Atlantic coast, have served only to put the industry off this aree for the time being.

These four wells cost $108m —cheap compared with the $1bn failure of the Mukluk wildcat in Alaska over a year ago, but still enough to induce caution. But the big oil companies insist they are not discouraged.

"The area offshore the U.S. and Canada has been less explored than offshore China. There is still much work to do," says Mr Gilbert Portal, president of Elf Aquitain's U.S. oil and gas subsidiary.

Britain's tax concessions have sparked a drilling boom in the North Sea; China has eased its licensing conditions and at OTC this week, key officials from India were sounding out the oil industry on what terms that country needs to offer to kindle interest in a proposed third round of exploration.

For companies with the financial strength to play it long, there is an underlying belief that it is only a matter of time before rising oil prices open up the more distant and expensive frontiers.

According to Mr Bookout, the proportion of the world's oil produced offshore should rise from under ooe-quarter today to 65 per cent by 2020.

But to some people manning stands et OTC 1985, 2020 is a long time away. With 40 per cent of U.S. drilling rigs still idle, Ned Broun has a rhyme to describe the sentiment of his industry:

"Say alive through 85,
If we don't get a fix in 86,
It'll be chapter 11 in 87."

Senate backs Amtrak funds

The U.S. Senate yesterday voted to cootloue funding Amtrak — the passeoger rail system—at a reduced level for fiscal year 1986. The vote, 53 to 41, oo an amendmeot was another blow to the Administratioo's budget plan which had sought to eliminate the programme, AP-DJ reports from Washington.

The amendment provides for a reduction of 10 per cent in Amtrak funding.

The move puts the Senate $2.2bo (£1.8bo) behind schedule in its quest to cut the budget deficit by $52bn in fiscal 1986.

AMC threatens union with phased closure

BY TERRY DODSWORTH IN NEW YORK

AMERICAN Motors (AMC), the U.S. affiliate of Renault, the nationalised French motor group, is threetening to begin e phased closure of its carmaking ectivities in Wisconsin et the end of this month if the workforce does not agree to labour cost reductions.

The company's demands mark a deliberate increase in pressure on shop floor workers to make concessions following losses of $29m (£24m) in the first quarter of this year. This deficit overshadowed the slim profit of $15.5m earned last year, and raised questioo marks over Renaults' cootinuing support. Renault has beeo suffering heavy losses in France.

AMC indicated e few weeks ago that it was taking e tougher stand on wages and employment levels when it announced plans to cut ceotral administrative costs by 2 5per cent. It said redundancies would be one wey of achieving the reductions.

The concessions it is seeking oo the shop floor, where AMC employs over 6,000 workers on car manufacturing, are aimed at bringing its production costs into line with the big three U.S. car manufacturers—General Motors, Ford and Chrysler —while introducing greater flexibility into manufacturing operations.

The company's car plants et Kenosha and nearby Milwaukee have the highest wage scales in the U.S. motor industry, paying $13.44 an hour before fringe benefits.

By comparison, GM and Ford pay 36 ceots less. In addition, AMC claims it has to carry an inordinary number of shop stewards—around one for every 23 productioo workers—oo the payroll.

AMC said yesterday that the thrust of its demands from the United Auto Workers' Union, which represents the shop-floor workers, is to reduce pay scales to similar levels at other U.S. car plants.

It is also seeking a reduction in the number of shop stewards.

If the company fails to make an agreement on these points by May 24, it will begin the process of shutdowns in the plants, which requires a 60-day notice, AMC said yesterday.

Ecuador, the apple of every banker's eye

By Hugh O'Shaughnessy

THE BRITISH Government is clearly out to do the honours this week to the creditor countries' favourite Latin American Government, one that is keen to cut government spending, abolish subsidies, welcome foreign investment, promote exports —and refrain from those references to the oeed for a "new international economic order."

Dr Edgar Terán Terán, the Foreign Minister of Ecuador, has not disappointed his hosts. He has pushed ahead with negotiations oo a bilateral investment guarantee agreement for British companies who put money into Ecuador. He has made it clear he would be delighted to see British and other foreign banks set up in Ecuador.

"Occidental look like putting three or four hundred milliou dollars into oil exploration in Ecuador," Dr Terán said with relish in an interview yesterday. "Then there's Exxon with Hispanoil and Belco oegotiating for deals now."

Dr Terán said the magic of the market had been casting its spell over Ecuador. The Government of President León Febres Cordero last year abolished the general subsidy on wheat but took the precaution of buying futures cootracts for wheat imports at a time when the price was low.

"As a result though we've abolished subsidies, the price of bread has not really risen," he commented.

He was not afraid to give full rein to the Ecuadorean Thatcherites' impatience with the interventionists' ideas of the Andean Pact of which Ecuador is a member with Venezuela, Colombia, Peru and Bolivia.

"Unless there are big changes to the Andean Pact and a relaxation of the rules restricting capital and profit remittances, the Andean Pact will die. It's a bureaucratic organisation. We will give it to the end of the year," he said.

There is no doubt too that the heart of the Febres Government beats for President Reagan over the qoestion of Central America. Ecuador is neutral in the Central American conflict and has condemned all foreign intervention in the isthmus. But one leaves with the distinct impression that Ecuador is "neutral against" the Sandinistas in Nicaragua.

Ecuador has certainly reaped its reward from its creditors. At the Paris Club of leading Government creditors last month it was given the first multi-annual refinancing deal for its debts up to 1987.

At the same time Ecuador's commercial banking creditors are expected shortly to agree oo generous refinancing terms for the bulk of the country's debt.

"Was Ecuador the internatiooal bankers' pet?"

"We have certainly benefited," Dr Terán replied.

Pinochet orders sharp tax rises

By Mary Helen Spooner in Santiago

President Agusto Pinochet of Chile has ordered sharp tax increases on luxury consumer goods and reductions in income tax deductions and unemployment subsidies in an effort to reduce government expenditure in compliance with the International Monetary Fund's programme.

The measures provide for a tax increase from 30 to 50 per cent oo such items as jewellery, furs, video equipment and recreational vehicles. The tax on whisky, previously set at 50 per cent, has been raised to 70 per cent. Unemployment compensation will be reduced by half during the course of the year.

Brazilian Congress clears way for electoral reforms

BY ANDREW WHITLEY IN BRASILIA

THE BRAZILIAN Congress has given preliminary approval to a package of electoral reform measures, including the re-establishmeot of direct elections for the presidency.

Congress voted overwhelmingly late on Wednesday to endorse e Bill, submitted by President Jose Sarney, outlining the proposed changes. Final approval was held up by a deadlock in Congress over a separate backbenchers' motion, submitted by an all-party group of federal deputies.

This motion, expected to be approved yesterday, thus clearing the way for the passage of the full package, is aimed at limiting the capacity of local officials to influence electoral results through the use of their office.

In a parallel move of some historic note, the Brazilian Communist Party, ooe of the oldest in the Western world, has taken the first step towards legality—for only the secood time in its 63-year history.

Apart from a brief period in 1945 and 1946, the Moscow-line party has remained in a semi-clandestine twilight; at times tolerated by the Government, at others—such as during the past two decades of military rule—severely repressed.

The electoral package being debated by Congress will enfranchise an estimated 20m illiterate edults previously denied the vote. It also eases residency requirements and oo the restrictions which had previously hemmed in political parties wishing to register with the Supreme Electoral Tribunal.

It will also enable the Brazilian Communist Party, once it is formally registered, to stand io the November 1985 municipal elections.

Ann Charters in Sao Paulo writes: Brazil's aotomobile industry estimates that the nearly one month long metalworkers' strike has cost the industry $100m (£82.8m) in lost export orders for vehicles and components that manufacturers have been unable to complete.

Export of vehicles fell 39 per cent in April to 11,400 units valued at $102.8m compared with March shipments of 18,700 vehicles, valoed at $158.1m.

Sr Andrei Beer, president of Anfavea, the national association of eutomobile manufacturers, stated that it may still be possible for the industry to partially recoup the loss in future months if importers have not filled orders from other sources and if production increases once the strike ends.

Production fell 58 per cent to 36,000 vehicles last month compared to March levels of 86,000, et an estimated cost to the industry of $300m.

Ford is more reserved about the possibility of making op lost value. Tha company managed to postpone the shipment of 2,400 cars to Scandinavia until later this month, but Ford indicated that unless the strike ended this week, the company could lose $10m in export contracts, including the shipment of 6,700 motors. This represents 15 per cent of Ford's expected exports this year.

Volkswagen shipped fewer Passats to Iraq last month and had to decrease the number of trucks sent to China. General Motors' shipment of engines was also hurt.

The major sticking point in oegotiations between the automobile industry and the metalworkers is the union demand for salary increases every three months to keep up with inflation.

Manufacturers have refused to grant the increases unless the Government permits the cost to be incorporated in new vehicle prices. Thus far, the Government has stood firm in its refusal.

Father Leonardo Boff, the Brazilian priest who is one of the leading proponents of liberation theology—a blend of Christianity and Marxism designed to appeal to poor populations — has been ordered by the Vatican to observe a period of "obsequious silence," writes James Buxton in Rome.

Hhe has been forbidden to preach, take part in conferences, write and edit a Brazilian religious publication.

The punishment, one of the more severe the Vatican doctrinal office can hand out, shows Rome's displeasure with Father Boff's book "The Church: charisma and power," in which he states his theory of liberation theology.

Managua accused of attack

HONDURAS YESTERDAY accused Nicaraguan forces of crossing its border and said it had sent troops to the frontier area, Reuetr reports from Tegucigalpa.

Sr Edgardo Paz Barnica, the Foreign Minister, said the troops would carry out "civic-military actions" to protect Honduran citizens in eastern El Paraiso province, where he said the Nicaraguan army had "launched an offensive."

He would not elaborate on the type of ections involved or how many soldiers had been sent to the area.

Nicaraguan rebels said yesterday that 38 people were killed on Saturday when Nicaraguan troops crossed into Honduras after clashes with guerrillas.

The reported border crossing would be one of the biggest penetrations into Honduras by Nicaraganuan forces since fighting erupted between the Sandinista Government in Managua and the U.S. backed rebels more than three years ago.

Sr Paz Barnica said Hooduras' National Security Council hed decided to send troops to the area during ao emergency session called by President Roberto Suazo Cordova

WORLD TRADE NEWS

Brussels gives member-states a black mark over public purchasing policies

Where the Ten take a prize for double talk

BY QUENTIN PEEL IN STRASBOURG

IN A world of double talk, the public purchasing policies of the 10 EEC member-states must win some sort of prize.

Behind all the pious statements dedicated to creating a genuine Common Market of 10 nations, the one area over which member-governments have direct control — their national budgets for everything from army boots to mainframe computers — has proved most impervious to real competition.

Fourteen years after the first EEC directives were issued to require Community-wide advertising of public works contracts, an dseven years after the same sort of rules were supposed to apply to buying equipment, only an infinitesimal proportion of government spending crosses Community frontiers.

In 1982 — the last year for which a full set of figures is available—every single penny of central government supply spending in Italy went to Italian suppliers, according to figures published by the European Commission.

The figure for France was 99.91 per cent, for West Germany 99.7 per cent, and for the UK, 98.3 per cent.

Even the Netherlands, Denmark and Belgium managed to spend more than 96 per cent of their government cash for equipment within their own borders.

The figures may slightly overstate the case, because some suppliers with national addresses actually represent foreign equipment manufacturers. But the general picture is clear.

The importance of the public sector of the market is obvious. Government contract spending accounts for between 7 and 10 per cent of Gross Domestic Product in the Community, it is estimated, or some Ecu 400bn (£200bn) a year. A very rough calculation of the cost of unfulfilled competition puts it at 10 per cent mark-up—some Ecu 40bn a year.

What has focused attention once again on the dismal lack of progress is the disproportionate importance of state purchasing in the key sectors of advanced technology and telecommunications—areas where rapid progress in the Community is critically dependent on a integrated market.

The immediate problem is that telecommunications is one of the sectors specifically excluded from the EEC directives which compel public authorities to advertise their contracts in the Official Journal (OJ) of the Community. The others are transport, water and energy, all fields of heavy state spending.

For nther contracts above a specific value—Ecu 1bn for works contracts and Ecu 200,000 for supplies—formal invitations for tendering are supposed to be pnblished in the OJ, and distributed to subscribers via the data-bank ealled Tenders Electronic Daily (TED).

Success of the system, modest as it is, can be measured by the steady increase in snch contract notices at a faster rate than the increase in government spending in the Community. There were 1.038 in 1979, rising to 2,583 by 1983.

Within those figures, the largest number nf invitations in 1983—710—came from Britain, followed by Ffance with 689.

NUMBER OF CONTRACT NOTICES IN THE OFFICIAL JOURNAL IN 1983

Member-state	Central Government Spending	Regional/Local Government Spending	Total
Belgium	54	27	81
Denmark	43	16	59
West Germany	315	100	415
France	466	223	689
Greece	10	1	11
Ireland	19	3	22
Italy	235	174	409
Luxembourg	5	0	5
Netherlands	181	1	182
UK	510	200	710
Total 1983	1,838	745	2,583
Total 1982	1,633	668	2,301

Source: European Commission

West Germany, in spite of the largest absolute volume of public spending of any member-state, nnly managed to publish 415.

Different members offend in different ways. The West German practice is to decentralise procurement wherever possible to the regional laender governments. "It leads to a fairly substantial industry in project splitting, to keep contracts below the advertising threshold," according to a Brussels official.

Of all the laender, only Berlin and Hamburg go by the rules. The others simpl y fail to publish.

Italy failed to implement the 1976 directives for five years, but since then has eanght up with a vengeance. In 1984, more Italian contracts were advertised at the EEC level than West German ones, and the enthusiasm of regional and local authorities for the system is actually threatening to overburden it.

However, both Italy and Britain use the system nf restricted tendering—the closest thing to baving an approved list.

More than 87 per eent of Italy'a advertised contracts were subject to restrietions, and 12 per cent (the same proportion as the UK) subject to an eccelerated, restricted process, which would give non-national suppliers virtually no chance of competing.

As for France, practically half of all its central government contracts—65 per cent of those above the Ecu 200,000 threshold in 1982—are awarded not by open or restricted tender, but by private negotiation.

"They go through the open procedure, and suddenly declare it null and void on some technicality," according to a Brussels official.

The Commission bas now promised a renewed blitz on offenders, but it has only a limited staff available to investigate,(and limited powers to prosecute.

The immediate plan is to try persuasion on the main offenders: local and regional government. In the UK, ooly some six county councils have ever published tender-invitations in the EEC journal.

In France, about 20 out of the 50 Departments have done so. In West Germany, practically all the Laender ignore the requirement.

The directives themselves need to be tightened up, officials believe—but that will require hard-won approval from the Council of Ministers. Modifications would include:

- A requirement for public bodies to publish pre-iovitation plans for contracts at the beginolng of each fioaocial year;
- Publication of their intention to award a contract by private negotiation;
- Publication of the results of contracts awards.

All sbould belp improve the "transparency" of the system, officials say.

Extension of the directives to cover the excluded areas—telecommunications, energy, water and transport—could also take years to get througb the 10-nation Couocil.

Instead, a process has begun of seeking a gradual and voluntary opening up of telecommunications cootracts, at least. ("There is no sign of movemeot at all oo the other areas," is the word in Brussels.)

The Commossion shonld be able to move faster on one specific proposal — to ensure that any public-sector contract fioanced in part witb Commuolly funds should comply with the requirement to be advertised Community-wide.

Officials want that eoforced in all areas, including tbe transport, water and eoergy fields.

They also are seekiog ways of ensuring that contract specifications are not so drawn up as to exclude effective competition, by setting national standards as the requirement.

The other need is to get strooger backing from suppliers themselves.

"We have more complaints now than we have ever had before," a Commission official said.

This is the ninth in the series on European market liberalisation. The previous articles appeared on February 14, February 21, March 5, March 13, March 22, April 1, April 4 and April 16.

Swiss among final bidders for Canada defence deal

By Bernard Simon in Ottawa

THE CANADIAN Government over-ruling the objections of its Nato partners, has chosen three groups beaded by Swiss and Swedish companies as final bidders for a C$600m (£348m) low-level air defence contract.

The three groups are led by by Bofors Ordnance of Sweden and tbe Swiss weapons manufacturers Contraves and Oerlikon-Buehrle. Canadian Marconi, a subsidiary of Britain's GEC, is a member of the Bofors consortium.

Reports surfaced in Ottawa last month that the Government had been reluctant to endorse Defence Department recommendations to include only companies from non-Nato countries.

Reflecting the pressure to add British, German or French bidders to the short-list. Defence Minister, Mr Erik Nielsen said that 70 per cent of the contract work would be allocated to Nato countries."

The Canadian Government has agreed to explain the reasons for its decision to unsuccessful bidders, including British Aerospace and the French-German group Euromissile, next week.

The missile, gun and radar system will be used to protect Canadian Air Force bases in West Germany and a rapid deployment group in Norway. The Government expects to award the final contract early next year, with delivery starting in 1988.

The authorities have indicated that the final choice will be beavily influenced by job-creation, local content and other socio-economic benefits offered by the three competitors.

Dutch see natural gas sales rising 20% above forecast

BY LAURA RAUN IN AMSTERDAM

GASUNIE, the Dutch natural gas utility, will sell about 20 per cent more gas at home and abroad in the coming 25 years than was forecast last year.

In its 1985 marketing plan unveiled in Groningen yesterday, Gasunie predicted that it would sell a total of 1.545 trillion (million million) cubic metres of gas between 1985 and 2010.

That is up from a forecast made last year, of between 1.27 trillion cubic metres and 1.31 trillion cubic metres for 1984-2009.

Mr A. H. Grotens, general managing director, said Gasunie would export an extra 275bn cubic metres of gas under extension contracts that prolong existing agreements by 10 years.

This will raise exports over the 25-year period to 625bn cubic metres from the 405bn forecast last year.

The European market currently is awash with natural gas and Gasunie concedes that foreign customers are expected to take only a minimum amount stipulated.

Expanding exports from the Soviet Union and Algeria bave put pressure on prices, although Gasunie bopes demand will rebound by the mid-1990s.

Export contract renegotiations, which occur every three years, recently were concluded with all four foreign customers —West Germany, Belgium, France and Italy. Following Gaz de France's move to pay in Ecus, Italy's utility, SNAM, also is considering doing the same, Gasunie said.

Under the revised export contracts, the price index was changed to correspond roughly 50-50 with heavy fuel oil and gas oil instead of the previous linkage to fuel oil only.

In the past, the Netherlands had touted its wide delivery variability as an advantage over competitors such as the Soviet Union and Algeria.

Gasunie, a mixed company that operates as the national gas utility, now is charging export customers four times as much for this delivery flexibility, Mr Grotens said.

Israel-Lebanon trade falls

BY DAVID LENNON IN TEL AVIV

ISRAEL'S exports to Lebanon have declined sharply in the past three months as the army pulled back to the border region.

Exports had been running at $3m-$4m a month last year, but have dropped to only $1m a month.

At its peak in the autumn of 1982, following the occupation of the southern balf of Lebanon, Israeli sales across the border reached more than $6m a month.

The Lebanese import a wide range nf goods from Israel including sugar, rice, shoes, and even marble for building. There areo no Lebanese exports to Israel.

With the Israeli forces due to complete the withdrawal within o month, trade will be restricted to 164,000 residents inside the security zone. It is not likely to rise about the $1m a month level in future.

Exporters 'must pay for import protection'

BY OUR TRADE STAFF

AT LEAST half of the cost of a country's import protection regime will be borne by the same country's exporters, according to a study published this week.

The report* aims both to quantify the penalties paid and explain the mechanism by which they are transferred, based on analysis of protection in Australia and a group of South American countries.

It says that the popular impression that import controls burt foreign suppliers and also domestic consumers (who pay higher prices) is "very far from the whole story."

Higher prices raised living costs and fed through tn wage demands. "The firms least able to absorb all these costs increases are exporters. Rarely are they able to pass on increases in costs to their customers because they would be undercut by competitors if they attempted to do so."

The report, for the London-based Trade Policy Research Centre, says that exporters do not oppose protection because the mechanisms by which they are taxed are "subtle and invisible."

"Firms rarely attack the principle of protection, for nobody can be sure when he will need it."

* *How Protection Taxes Exporters, by Prof Kenneth Clements and Larry Sjaastad; TPRC, 1, Gough Square, EC4A 3DE; £8.50.*

Malta export boost likely

MALTESE exports to the Soviet Union this year are expected to improve markedly, according to the Maltese Government, Godfrey Grima reports from Valletta.

Last year, Soviet purchases from Malta totalled M£8.94m (£14.9m) including ship-repair orders awarded to Malta Dry Docks.

By April this year, the Malta Government says, the Soviet Union had already placed orders worth M£9.4m (£15.6m) for goods assembled on the island

The Government's statement came in answer tn opposition suggestions that Soviet orders were dipping below their projected levels.

Asea subsidiary wins £17.8m Ford contract

THE ventilation equipment subsidiary of Asea, the Swedish electrical engineering and electronics group, has won another important nrder for paint finishing equipment from Fnrd, the U.S. car maker, David Brown reports from Stockholm.

The order, worth SKr 200m (£17.8m) involves a painting module, ventilation system and drying oven for Ford's new plant in Sonora, Mexico, and will be delivered from Sweden in the summer of 1986.

Last month, the group announced similar contracts worth a total SKr 500m from General Motors.

U.S. groups 'in Lagos oil-barter talks'

Two U.S. trading companies, Motors Trading Corp, tho Detroit countertrade subsidiary of the U.S. car-maker General Motors Corp. (GM), and World Trading Organisation of Houston, are negotiating with Nigeria for long-term crude oil-barter arrangements, U.S. oil industry officials say, AP-DJ reports.

A GM official confirmed that his company is talking witb Nigeria about the sale of GM trucks, diesel engines, and railroad equipment in exchange for Nigerian oil and other commodities.

Irish trade hopes

The Irish Repnblic could have its first trading surplus in 40 years in 1985, according to the annual report of the Irish Central Bank, Brendon Keenon reports.

However, heavy foreign deht repayments and repatriation of profits by foreign companies will still leave a balance of payments deficit of I£750m (£609m), equivalent to 5 per cent of Gross National Product, the bank adds.

Elkem considers closure of Manchester Steel

BY NICK GARNETT, NORTHERN CORRESPONDENT

ELKEM, the Norwegian metals group, appears to have made substantial progress in discussions with Allied Steel and Wire on proposals for rationalising the UK's rod and billet capacity.

The only scheme understood to be under detailed consideration involves the closure of Manchester Steel, Elkem's British operation, which has a yearly cepacity of about 300,000 tonnes from its plants at Manchester and Bidston, Merseyside.

Allied Steel and Wire, a joint British Steel Corporation and GKN company, has proposed a substantial funding package to encourage Elkem to shut its British operation. This would have to go before the Elkem board, scheduled to hold its next meeting on May 22.

The Oslo-based company has declined to comment on the progress of the talks but British steel unions believe an agreement could be very close.

The Amalgamated Society of Wire Drawers and Kindred Workers, which together with other unions is fighting any reductions in UK capacity, sent a deposition yesterday to the Office of Fair Trading.

The unions say the closure of Manchester Steel would drastically limit the number of British suppliers to the UK market. Allied would be left as the only British producer of 12.5 to 13.5mm rod and the unions argue that total rod imports to the UK from continental Europe – which they say run at 20 to 25 per cent – would rise further.

The unions met Mr John Butcher, junior Industry Minister, last week to express fears at the possible loss of 650 jobs at Manchester Steel. In a reply yesterday to questions by local MPs, Mr Butcher said that it was for private sector steel companies to carry out their own rationalisation schemes.

The discussions are almost a rerun of the talks in 1982 when a consortium of Allied, Templeborough Rolling Mills and Sheerness attempted to entice Elkem to close Manchester Steel in a package worth £16m to £20m.

This time, however, Templeborough, a joint British Steel-Bridon company, which is spending £3m to improve quality and increase its size of coils, is not involved in the talks. It is not clear if Sheerness is taking part.

Elkem decided to reject the consortium's offer 2½ years ago, but the Norwegian company appears to be as much the initiator of the present discussions as Allied.

Steel demand in the UK is probably higher now than at any time since 1979. Output last month averaged 384,200 tonnes a week, the highest rate since June, 1980. The underlying demand in the second quarter of 1980, however, was probably weaker than the figures suggested. Steel consumers were then restocking after the three-month strike in the industry.

Last month's output was only marginally ahead of the revised rate in the previous month, but it was 18 per cent ahead of the average weekly production in April, 1984. The figures cover the output of both the private and public sector steel producers.

UK stand over Ford 'aid'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN would strongly object if the West German authorities attempted to offer Ford special financial inducements to make major new investment at Cologne rather than Dagenham, Mr John Butcher, industry minister, said yesterday.

He was replying to a letter from Mr Bryan Gould, labour's trade spokesman, who had referred to reports that Ford unions were convinced that Dagenham had been selected in preference to Cologne as production site for a "family" of 2-litre engines in which the company is investing £100m.

Suggestions that the project will go to Britain have been so strong that the state government of North Rhine Westphalia, which covers the Cologne area and faces an election this month, has been attempting to put together a financial aid package attractive enough to persuade Ford to change its mind.

Mr Bntcher said yesterday the British Embassy in Bonn and Consulate General in Düsseldorf were "making it plain to the relevant German authorities that we would expect Ford to be left to make its decision on straightforward commercial grounds."

He added: "Cologne does not appear to be an area qualifying for regional aid and we would expect any proposed aid to be notified to Brussels (the European Commission) where we would raise strong objections to that aid being granted."

Value of star wars research questioned

By Peter Marsh

BRITISH involvement in the information-technology aspects of the U.S. Star Wars programme could divert valuable talent away from commercial projects, according to the UK's leading civil servant in computing research.

Mr Brian Oakley, director of the Government's Alvey directorate in advanced computing, yesterday expressed scepticism that star wars research could have useful spin-offs in commercial areas.

"I would not want Britain to use its high-quality manpower in providing an input to a conjectured military system. If you have a lot of people devising, say, software for a star wars system, in my view they would be better employed in a commercial project."

Mr Oakley's comments come as Britain formally weighs up whether to accept the U.S.'s invitation to participate in its $26bn research programme to devise an anti-missile defence.

Computing is high on the list of research areas that the programme intends to promote. Advanced technologies such as high-speed processing and novel software techniques would be essential in several tasks associated with an anti-missile defence, for example in interpreting information from radar scanners about incoming missiles and in directing beam weapons.

The U.S. Defense Department has asked Britain, together with other U.S. military allies, to come up with suggestions on how it could share research on the project, more formally known as the Strategic Defence Initiative (SDI).

Falklands airport raises protests

Britain is about to open a new airport on the Falklands to improve the defence of the islands. But Argentina protests that it is a hostile gesture. Robert Graham, Latin American Editor, reports

ARGENTINA is expected to make strong diplomatic protests when the new airport at Port Stanley in the Falkland Islands is opened by Prince Andrew later this week. The airport, whose estimated completion cost is £260m, has been designed to give Britain a more flexible and cheaper defence of the South Atlantic islands.

The Government of President Raul Alfonsin has sought over the past 18 months to have Britain halt construction of this strategic facility, arguing that it is a hostile gesture. This point is expected to be made again in a protest note to the United Nations, with a possible call for a vote of censure in the general assembly.

Britain has maintained throughout that the new airfield, which when completed next year will have two runways, is for defensive purposes. It was pointed out this week in Whitehall that Argentina has still not formally declared an end to its state of belligerency. Britain, for its part, maintains a 200-mile protection zone around the islands.

The airport and its installations, which will remain under the control of the Ministry of Defence, enable wide-bodied jets to land on the Falklands. This cuts out the complex and costly air bridge using VC-10s to Ascension Island and then Hercules aircraft, with three in-flight refuellings, to reach Port Stanley.

Britain will be able to have proper all-weather facilities for strike and reconnaissance aircraft, as well as much faster capacity for reinforcement from the UK. Nevertheless, the RAF Tri-Stars will still take up to 19 hours, stopping at Ascension to complete the journey.

This reinforcement capacity will enable e gradual reduction of the existing Falklands' troop levels of about 4,500. But officials have warned against the expectation of an early rundown and last week's Defence White Paper policy document was decidedly vague on this.

The paper was also vague about the existing costs of defending the Falklands. Cutting out the air bridge in the first year is expected to save some £10m out of a current cost of nearly £65m. Air bridge savings when the airport is fully operational will be more substantial.

Until June the airport will be serviced by two weekly RAF TriStar flights. After that, British Airways will operate Boeing 747s under a six-month trial contract out of Brize Norton, Oxfordshire. A two-tier fare system will operate, with a full-rate round trip costing £1,900 and a concessionary rate of £1,050. Islanders can obtain concessionary rates, while all passengers will require a sponsor.

Both the price and the sponsorship requirement, coupled with the very limited accommodation on the islands, will restrict use. Passenger space will also be determined by the amount of freight carried on board.

The Foreign Office has received a number of inquiries from specialised UK and U.S. tour operators, but no decisions are likely to be taken until the second runway is complete in February 1986. The British Government would like to be able to operate the service through a Latin American country to make the journey easier, but this is recognised to be diplomatically delicate.

In addition to the possibility of opening up the islands, the new airport focuses attention on access to Antarctica and this is perhaps the greatest long-term change that will result. Ecological groups have already voiced fears that this will encourage governments and international companies to think more of the commercial possibilities of Antarctica. A further fear is that the region, demilitarised by the Antarctic Treaty, will become militarised as a result of the airport.

In Argentina the military and politicians believe the airport has given an important strategic dimension to the Falklands and that Britain will be even more reluctant to consider discussion on sovereignty. British officials admit that the Falklands do now possess a new strategic asset with large amounts of taxpayers' money invested.

The airport does not help to solve the most immediate and pressing problem facing the British Government over the Falklands. This is the question of fishing and fish resources around the Falklands. These waters are exceptionally rich in marine life, especially krill, squid and small hake.

The potential of this resource was highlighted by the Shackleton Report well before the 1982 war. In Lord Shackleton's revised study, compiled after the war, this was again emphasised as the main potential source of income for the islands.

The Falkland islanders have been pressing the British Government for almost two years to declare a 200-mile territorial zone and institute a licence system – a system which could provide on conservative estimates $8m a year in licence fees. The British Government has so far refused to make this move, afraid that it would further complicate any reconciliation process with Argentina.

In the absence of any move by the British Government, the main fishing fleets of the world have stepped in to take advantage of what is one of the last areas that offers uncontrolled access to catches.

These fleets have been the Soviet Union, Japan and Spain, followed by Poland, East Germany, Bulgaria, Taiwan and Panama. During 1984 the average daily number of fishing vessels was between 40 and 60; now the number is believed to be close to 70 on ocassions.

The British Government has no naval vessels specifically for fisheries protection in the area and there is concern among ecological groups and British MPs that "plunder" is taking place in a free-for-all. British officials concede they have no precise ideas of the catch.

Two months ago the Argentine Chamber of Fishing Boat Owners added its voice, claiming that the number of fishing vessels in the area had quadrupled since the war. No Argentine "fishing boat" has been allowed to enter Falklands waters since President Alfonsin took office in December 1983. (During the military regime fishing boats were often used by the navy for intelligence purposes or simply for provocation).

The fishing industry in Argentina, now under civilian control, has tended to be pragmatic and has not minded the increase in foreign fishing vessels in the South Atlantic because they have been allowed to refuel and repair in Argentina ports, so generating foreign exchange.

The British Government is sufficiently concerned at the prospect of over-fishing and by the difficulties of imposing a 200-mile territorial zone that it has begun a novel diplomatic approach. In March, Sir Geoffrey Howe, the Foreign Secretary, told the House of Commons that soundings were being made with various countries on a voluntary multilateral agreement. Among the countries sounded out have been Spain, Japan and the Soviet Union.

The UK Government realises that, for any agreement to be effective, it would require the overt or tacit inclusion of the Argentine Government. The main fishing fleets come from countries which support Argentina's sovereignty claim.

Georgia Pacific to spend £8m on Inveresk paper offshoot

BY TONY JACKSON

GEORGIA PACIFIC, the U.S. forest products company, is spending £8m on expanding and upgrading paper production at GP-Inveresk, its British papermaking subsidiary. The decision is a sharp reversal of last year's policy, when Georgia Pacific made it known that Inveresk's four remaining mills were up for sale.

Inveresk, acquired by Georgia Pacific in 1981, has been loss-making in recent years. Last year, three of the company's mills were closed; and by the beigning of this year Inveresk had moved to break-even at the trading level.

Of the £8m investment, the largest share, £3.2m, is to be spent at the Westfield Mill, near Bathgate in Scotland. The mill is Europe's only dedicated producer of paper labels, and the investment will increase capacity from 14,000 tonnes per year to 24,000 tonnes in 1985.

The Carrongrove Mill, at Denny, near Glasgow, is to receive investment of £3.25m. The mill produces coated card and board, and capacity will be increased from 25,000 tonnes to 33,000 tonnes. The remainder will be spent on the Caldwells Mill, in Fife, and at the St Cuthberts Mill, in Somerset, to upgrade the papermaking machines and introduce computerised manufacturing controls.

Explaining the policy shift by the U.S. parent, Inveresk said that the original purchase decision had been based on the desire to find outlets for the market pulp which Georgia Pacific – the world's biggest forest products company – produces in the U.S.

In 1983, however, GP had undertaken a review of its underperforming assets worldwide, including Inveresk, and as a result had closed three mills and decided to sell the remainder.

Now, however, dollar strength and the weakening in world pulp prices have caused Georgia Pacific to think again. In addition, the U.S. group is greatly expanding its paper capacity, with one paper machine – claimed to be the world's largest – due on stream in autumn next year. In addition to being a customer for Georgia Pacific's pulp, Inveresk is seen as an outlet for the U.S. group's paper products through its European sales network.

The development is seen as part of a general recovery now taking place in the UK paper industry. Since the late 1960s, when the industry ceased to be protected from import competition by tariff barriers, the trend in production and profitability has – with a few notable exceptions – been steadily downhill.

Small brokers seek slower pace of reform

By John Moore, City Correspondent

A COMMITTEE of small stockbrokers is seeking a meeting with the London Stock Exchange ruling council in an effort to slow down the pace of reform in the Britisb securities market.

Mr Martin Walters, a member of the committee and a partner with Schaverein the stockbroker, said yesterday that the committee hoped that proposals to dismantle minimum scales of commissions on transactions carried out in the stockmarket and the establishment of firms which can act as both principals and agents would not come in force until the end of 1988.

Under an arrangement with the Government, the stock exchange has agreed to abandon its minimum scales of commission by the end of 1986 in a series of reforms which will allow stockbrokers to act as market makers. The stock exchange hopes to implement the reforms by October next year.

Mr Walters said that the stock exchange reforms were being "rushed along at breakneck speed" with little regard for the implications. Unless the stock exchange slowed down the rate of reforms a "no" vote to the changes st a June 4 meeting would be urged by the committee, he said.

ESSELTE
AKTIEBOLAG

Notice of Annual General Meeting

Notice is given to the shareholders of Esselte Aktiebolag that tha Annual General Meeting of tha Company will be held at 4.30 p.m. on Thursday, May 23rd, 1985 at the offices of tha Company at Sundbybergsvägen 1, Solna, Sweden.

In addition to the matters to be dealt with at the Annual General Meeting in accordance with the Swedish Companies Act and the Articles of Association, a resolution will be proposed to the Annual General Meeting to authorize the Board of Directors to issue convertible bonds and/or bonds comprising options to subscribe for new shares in the Company without first offering any of such bonds to the existing shareholders in accordance with the 5th Chapter 2nd Section of the Swedish Companies Act.

The Board of Directors will also propose a resolution that the record date by which shareholders in the Company must be registered by VPC in a register of shareholders or a list maintained in accordance with the 3rd Chapter 12th Section of the Swedish Companies Act in order to participate in the dividend authorized by the Annual General Meeting will be Wednesday, May 29th, 1985. Should the Annual General Meeting adopt this resolution the date for dispatch of dividends by VPC to those shareholders who are registered with VPC on the record date is estimated to be Wednesday, June 5th, 1985.

In order to be entitled to participate in the Annual General Meeting a shareholder must have been registered with VPC not later than Monday, May 13tb, 1985. A shareholder who has had his/her shares registered in tha name of a nominee must have temporarily registered those shares in his/her own name with VPC not later than Monday, May 13th, 1985 in order to be entitled to vote at the Annual General Meeting.

Further, in order to take part (whether in person or by proxy) in the Annual General Meeting, a shareholder must give notice to the Company not later than 4.00 p.m., Monday, May 20th, 1985, in writing to Esselte AB, Box 1371, S-171 27 Solna, Sweden, or by telephone: Stockholm 27 27 60. If by the aforementioned time a shareholder has provided the Company with a power of attorney, giving authority to exercise the voting rights of the shareholder at the Annual General Meeting in accordance with the 9th Chapter 2nd Section of the Swedish Companies Act, the shareholder shall be deemed to have duly given notice for participation in the Annual General Meeting.

Solna, May 2nd, 1985
Board of Directors.

Vauxhall holds talks on Astra dispute

VAUXHALL, the General Motors UK subsidiary, will continue talks today to try to resolve a nine-day strike which has halted production at its Ellesmere Port plant on Merseyside.

The strike, by members of the electricians' union, is a demarcation dispute over new technology. It has caused Vauxhall to lay off, without pay, more than 2,000 of the 4,700 hourly-paid workers at the plant.

The company said yesterday that the waiting time for delivery for its recently-launched Astra car – already three months or more – would be further lengthened.

Electricians at Vauxhall's plants at Luton and Bedfordshire will be balloted today on whether to support their colleagues.

The dispute centres on who should operate a new computer system to control automated guided vehicles, called "robotugs," on which parts of the Astra are assembled. Since their introduction last August, the system has been operated by production control staff. The electricians' union – the EETPU – says the work is traditionally that of electricians. Vauxhall says there is no precedent for that.

A mass meeting of Vauxhall workers will be held at Luton today on a separate issue – the company's refusal to pay workers who were laid off during a dispute last March.

□ CITICORP, the U.S. banking group, is understood to be negotiating to move into the Billingsgate office development in the City of London. The £75m project was to have been occupied by Samuel Montagu, the merchant bank, which last year signed a £6m rental agreement on the building – the largest ever seen in the City. In February, after top management changes, Montagu said it no longer intended to move to Billingsgate and instructed agents to find a replacement tenant.

□ MORPHY RICHARDS, one of the best known British small electrical appliance makers, has been taken over by Glen Dimplex, a private electrical company based in Northern Ireland.

It was bought for an undisclosed sum from a group of City of London institutions which includes Capital for Industry (CFI), an offshoot of Throgmorton Trust. CFI, a private holding company, originally bought Morphy from GEC three years ago for less than £5m.

The purchase will give Glen Dimplex a share of up to 40 per cent in the UK market in irons and toasters, and valuable links into overseas markets.

□ A £20m plan to double the size of the National Exhibition Centre in less than 20 years was announced in Birmingham. Work is scheduled to start next year in 1986 on the first £26m phase to make available 20,000 sq metres of new exhibition halls by 1988 when demand is projected to reach a new high.

The whole project, due for completion in the year 2004, involves 100,000 sq metres of exhibition space, a hotel, motel and infrastructure.

□ GRANTS for home improvements should be abolished and replaced by a system of means tested loans, the Government said in a green paper (discussion document). The paper also proposes that grants should continue to be available for making grossly sub-standard houses habitable, but only to those who could not afford to pay for the work themselves.

□ PLANS for a £21m expansion programme to revitalise London Zoo and halt the slide in its fortunes have been unveiled.

First stage of the development, announced by the London Zoological Society, which runs the zoo will be the construction of a £2.4m aquarium on the site of the Parrot House in the heart of the 35 acre zoo in Regent's Park.

□ THE GOVERNMENT is to pay more than £40m in relief to commercial property tax payers in Scotland who have been hit hard by a revaluation of properties this year.

Labour 'will not revoke all Tory laws on unions'

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE RESTRICTIVE trade union and employment legislation enacted by Mrs Margaret Thatcher's Government would not be repealed en bloc by a future Labour administration, Mr John Prescott, Labour's employment spokesman, said yesterday.

Wholesale repeal without an alternative to put in its place would be unrealistic he said. Labour and the unions now faced the opportunity of re-examining the whole relationship of trade union law at the workplace.

Mr Prescott's comments are the furthest the party has yet gone in acknowledging that some of the changes introduced by the Government's employment and union laws will be permanent.

Behind Mr Prescott's statements is a feeling among senior figures in the party that there is greater value in parts of the legislation than Labour would be prepared to admit publicly.

Some party leaders accept that it would be disastrous for Labour to present itself at the next general election as a party committed to repealing, for instance, the balloting provisions of the Government's 1984 Trade Union Act. It would lay the party open to the damaging charge that it was trying to make unions less democratic.

There is also a feeling in the party that the internal procedures of many unions are too slow and require modernisation.

Mr Prescott did not make these points yesterday, but he did say: "We cannot advocate that you get rid of the Government's legislation and assume that we will go back to the old legislation. That's clearly not adequate, and I don't feel that the trade unions will feel that either."

Referring to the labour law – the Government's 1980 and 1982 Employment Acts and the 1984 Trade Union Act – Mr Prescott said: "What's not realistic is just to say you are going to get rid of it. It's quite realistic if you are clear about what you are going to put in its place."

He rejected the idea that Labour would recompense unions whose funds had been seized for defying the law.

Labour is not yet clear about its own programme of law to weave into parts of the Government's Acts, but Mr Prescott indicated the need for the party and the unions to examine their policies on the issue.

Labour leaders recognise that they might have to make some concessions over employment law if they are to finalise the compact tentatively taking shape between Labour and the Trades Union Congress (TUC) on the economy.

Some senior party figures feel that the TUC is going to have to determine a more consistent position towards the employment law. They believe, in particular, that it will have to resolve its internal contradiction of formally maintaining a policy of blanket opposition, while at the same time realising privately that many unions are accommodating it in their practices and policies.

● Britain's labour force – including those unable to get jobs – rose by 430,000 in the year to June 1984, Mr Tom King, the Employment Secretary, said yesterday.

He said that the rise was the biggest since annual records began in 1971 and took the labour force to a record 26½m.

The rise in the year to June 1984 was four times the average increase in the last 10 years. About half of the rise reflected the "baby boom" of the 1960s. Another factor was the growth of part-time job opportunities which were attracting many married women back into work.

Sunday trading laws will be repealed

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT will introduce legislation in the next parliamentary session to remove restrictions on shop opening hours.

This was confirmed yesterday when the Government put down a motion for debate by the House of Commons on May 20 about the Auld reports, which last autumn recommended the removal of all legal restrictions on shop hours. At present, most forms of Sunday trading in England and Wales are illegal and shops are restricted in the number of hours that they can open on weekdays.

The motion says the Government "accepts the case for the removal of legislative limitations on shop hours and looks forward to the bringing forward of legislation to remove such limitations."

The Commons is sharply divided on the issue, both within and between parties. A number of Conservative MPs may oppose the motion.

When the issue was last debated by the Commons, before the 1983 general election, several ministers voted against a private member's Bill proposing abolition of restrictions, although this was on a free vote. However, more than 100 Tory backbenchers recently signed a motion calling for the early implementation of the Auld report.

The opponents include a mixture of sabbatarians, defenders of retailing interests and sympathisers with the shopworkers' union (Usdaw). The latter are strongly represented on the Labour benches.

Reaction from retailers and consumer groups to the Government's announcement was muted last night. Mr David Tench, legal officer of the Consumers' Association, said: "It's been a long hard road to reach this stage and I hope that the opponents of change will not delay at this late stage the ending of restrictions."

Jaguar £20m centre

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAGUAR, the luxury car group, is to build a new engineering centre at a cost of well over £20m.

Jaguar wants to put more emphasis on computer-aided design to catch up in engineering technology and efficiency with its main rivals, Daimler-Benz and BMW of West Germany. The company employs about 600 engineers but wants to increase the number to 1,000.

The engineering centre, to be in Coventry, will be part of the £400m, five-year investment programme which will substantially boost Jaguar's annual spending, which was £36m last year.

Mr John Egan, Jaguar's chairman, told yesterday's annual meeting that the company was considering an over-the-counter listing in the U.S. for its ADRs (American depository receipts).

About 20 per cent of the Jaguar shares are held in this way by American investors and, Mr Egan said, such a large body of shareholders should be properly serviced with information by the company.

At present, trading in ADRs is by four unsponsored banks, Morgan Guarantee Trust, Irving Trust, City Bank and Bank of New York.

Lloyd's underwriter 'entitled to accept gifts for his services'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR IAN POSGATE, the Lloyd's underwriter, was entitled to ask for, and accept rewards for his valuable services to the Alexander Howden Group (AHG), it was claimed at a Lloyd's appeal tribunal in London yesterday.

Mr Posgate is appealing against a recommendation by a Lloyd's disciplinary committee that he should be expelled for life from the insurance market. The committee found that Mr Posgate – who has been suspended from the market for 2½ years – had been guilty of discreditable conduct in accepting gifts intended to induce him to place reinsurance through AHG.

Mr Robert Alexander, QC, for Mr Posgate, told the hearing that there had been nothing in any way improper in Mr Posgate accepting as gifts a Pissarro painting worth $90,000 and Swiss bank shares valued at $750,000. The Pissarro had been for services he had rendered to Mr Kenneth Grob, chairman of Alexander Howden Group and his family.

The 10 per cent shareholding in Banque du Rhône et de la Tamise had been given to keep him as an employee of the group, Mr Alexander said. The gifts had not been given – or accepted by Mr Posgate – as inducements to him to place business of the syndicates for which he acted with Howden reinsurance companies through Howden brokers.

Mr Alexander said it was not suggested that the pattern of Mr Posgate's reinsurance business had changed after he received the gifts, or that he had ever obtained reinsurance other than on the best terms for the "names" (members) in the syndicates for which he acted.

He was, Mr Alexander suggested, being judged by reference to the current Lloyd's philosophy, following the 1982 Lloyd's Act which required a total separation of broking and underwriting interests, rather than by the standards that had been accepted at the time. When he accepted the gifts it had not been regarded as improper for an underwriter in a group to place reinsurance with group companies through group brokers.

A successful underwriter could well bring not only his underwriting profits to the group; he could also generate, perfectly properly, broking profits on the reinsurance.

The hearing is expected to finish today.

INTASUN PARTNERS £100M PROPERTY VENTURE

Ramada links up for hotels chain

BY ARTHUR SANDLES

INTASUN LEISURE, the fast-growing package tour group, is to be the partner in a £100m expansion programme for building a chain of 300-bedroom hotels in the UK under the U.S.-based Ramada banner.

Intasun will have the majority financial interest in most of the property involved and a half share in the management contracts.

The move comes only days after Holiday Inns, Ramada's huge Memphis-based rival, revealed its own £100m programme for the UK without a British partner.

Intasun is suggesting that after the development programme is complete the group would be showing a gross asset position of £185m, with borrowings and minority interest set against this.

Ramada and Intasun are setting up two joint subsidiaries, yet to be named. One will develop hotels, with eight or 10 planned for the next four years, and the other will run them.

The total worth of the new chain will probably be £100m at the end of the initial development phase. The actual involvement of the partners will, however, vary from project to project, with Intasun typically taking 80 per cent of the joint interest but outside investors also having a subtantial share.

Intasun has revealed that "following the capacity reduction and successful reorganisation" of its Air Europe subsidiary, the airline's managing director, Mr Errol P. Cossey, has resigned. He continues to act as aviation adviser to the group.

Mr Peter Smith, Intasun managing director, said a reduction in the size of the airline had proved to be "a dramatically good decision" and unlike many of its competitors Air Europe was running well up to expectations.

On the broader question of Intasun's basic tour business Mr Harry Goodman, chairman, said that the company "would be the only major company to show an increase in carryings" this summer.

There was a rush of bookings at the moment and Intasun's charter deal with British Airtours (a subsidiary of British Airways) gave it much greater flexibility than rival groups.

Mr Goodman said that the contract with British Airtours was considerably softer on the tour company than was normal. "We can cancel up to two weeks before departure without cost to us."

The significance of this is that it reveals why Intasun has been much slower in cutting back its programmes than others worried by poor early season sales. The group is now mopping up late bookings. "We are up 60 to 70 per cent on the booking rates of the same period last year," said Mr Smith.

He added that profit margins had been maintained at much the same rate as last year in spite of the bad trading conditions. The problem of changing currency exchanges rates had been eased by the abandonment of price guarantees.

When asked if higher sales and maintained margins meant bigger profits there was a joint response from the Intasun directors: "You don't expect us to answer that do you?"

As far as the hotel deal was concerned Ramada's senior regional vice-president of development" said there had been talks with several potential partners, but "we did not want to have an investor who does not know the business."

Ramada has had a previous UK marketing relationship with Ladbroke, the group which recently outbid Intasun for Comfort Hotels and with which Intasun already has a joint overseas hotel operation and a domestic young people's holiday programme.

"We let Ladbroke have Comfort; they let us have Ramada," said Mr Goodman.

Thatcher orders security service inquiry

BY MARGARET VAN HATTEM, PARLIAMENTARY CORRESPONDENT

SIR ANTHONY DUFF, director general of MI5, the counter-espionage service, has been asked to report on the need for an independent commissioner to bear complaints by members of the security services.

Mrs Margaret Thatcher, Prime Minister, told the House of Commons yesterday that she had ordered this inquiry as part of an investigation of internal criticisms of MI5 management.

In a statement on the Security Commission's report on the case of Michael John Bettaney, the former MI5 officer jailed last year after attempting to get himself recruited to the Russian intelligence service, Mrs Thatcher conceded that the report was critical of the way in which Mr Bettaney's career was managed, and of management attitudes and arrangements in MI5 generally.

She and Mr Leon Brittan, the Home Secretary, were determined to see that action was taken to remedy management weakness. The criticisms made by the Security Commission would be studied by the new director general, who would present his conclusions and recommendations for change later this year.

Asked specifically by Sir Edward Gardner, chairman of the Home Affairs Select Committee, whether this review would cover the need for an independent complaints commissioner, Mrs Thatcher said it would.

Her statement reflects Government concern over mounting pressure among senior Tories, as well as senior members of other parties, for wider scrutiny of and more open management in the security services.

The picture of MI5 drawn in the report of the commission is one of a rigid institution, run by inflexible people who presided over a hotbed of simmering discontent.

Among matters calling for particular consideration, it notes that the hierarchical structure of the security service means that in general there is no managerial responsibility below the level of assistant director, a post generally not reached below the age of 40.

This, it says, may have been appropriate when recruitment was mainly from those of previous experience in other walks of life. Now that the security service also depended on the recruitment of university graduates and appeared likely to remain so for some time, efforts had to be made to give them some managerial responsibility before they reached the age of 40.

In the case of Mr Bettaney, the commission said that by October 1982, it should have been clear to the Security Service that his lifestyle needed full investigation, – a course which would probably have led to withdrawal of his positive vetting clearance, and his dismissal from the security service.

Bill on state industries shelved

By Sue Cameron

THE GOVERNMENT yesterday backed down – for the second time – on proposals for its controversial Nationalised Industries Bill.

The proposals included turning parts of state industries into companies under the Companies Act with a view to subsequent sale to the private sector. The Government was also seeking powers to set financial targets that would have had the backing of law.

Plans for the Bill had been fiercely opposed by nationalised industry chairmen who feared it would enormously increase the Treasury's powers over their companies. Last night a number of them were jubilant after Mr Peter Rees, the Chief Secretary to the Treasury, had told the House of Commons that the Government no longer intended to bring in the Bill during the 1985/86 parliamentary session.

Treasury officials are claiming that the Bill has only been postponed – not dropped. They insisted that it had been delayed because of the pressure that will be put on the parliamentary timetable by the forthcoming privatisation of the British Gas Corporation.

But few believe the Government will run the risk of reviving the Bill in the run-up to a general election.

One nationalised industry chairman said last night: "It is quite true that the Government would have had trouble fitting in this Bill in addition to legislation for privatising British Gas. But I think that the representations of the state industry chairmen have forced ministers to think again about it. The whole thrust of the Bill was that the nationalised industries should be told what to do by the Treasury and should then do it. Now ministers have been forced to back down – that's what it amounts to."

UK NEWS

Britain falling behind in 'scholarship diplomacy'

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

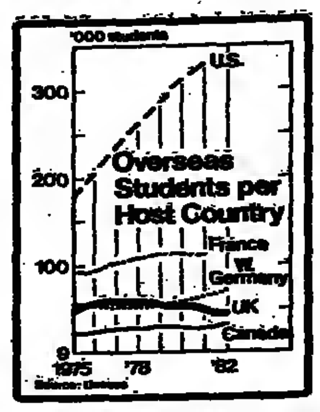
BRITAIN is falling behind the rest of the world in terms of its share of overseas students. This is undermining the UK's prospects in the developing world, the British Council said in a report published today.

Whereas other countries, both western and communist, are increasing their political and economic influence by so-called "scholarship diplomacy," Britain's overseas student population has declined by 37 per cent since 1979-80.

The number of foreign students in Britain declined from 88,037 in 1979 to 55,608 in 1984. At the same time, West Germany, without a Commonwealth and without a language as widely spoken as English, accommodated 66,000 overseas students at a cost of £400m a year.

France, the British Council maintains, had a foreign student population of 100,000 and ran a special scholarship system for students from important raw material and energy-producing countries and from countries which were potentially important markets for the French economy.

The number of overseas students in the Soviet Union, too, continued to increase, from more than 50,000



in 1978 to 82,500 in 1983. The Eastern bloc countries as a whole were spending an estimated £1bn on more than 100,000 overseas students in 1982, more than half of them from developing countries.

Mr Derek Beard, the assistant director-general of the British Council, said that the latest figures were bad news for "a country which prided itself on the international reputation of its higher education."

About 1m people were studying overseas in the world and the number was increasing by 14 per cent a year, Mr Beard said.

Between 1976 and 1981 Britain's market share fell by more than 25 per cent and was still falling, Mr Beard said.

Mr Beard underlined the special effort that Japan and the U.S. were making to attract students in the Pacific basin. Japanese education and foreign policy in the 21st century would focus on overseas students from the South-East Asian countries because "they act as an important bridge for the development of friendly relations between their countries and Japan."

The Pacific basin was the most rapidly developing region in the world and China, Indonesia, Korea and Malaysia were likely to be the new industrial giants and major markets of the next century. The number of students from these countries studying in the U.S. had recently increased faster than those from any other country.

The number of Chinese students in the U.S. had jumped by 31 per cent between 1982-83 and 1983-84, while those coming to Britain had increased by only 6 per cent.

Rail freight losses absorb £66m from sale of Sealink

BY SUE CAMERON

LOSSES INFLICTED on British Rail's (BR) freight business by the year-long miners' strike have absorbed the entire £66m raised by the sale last year of BR's Sealink subsidiary.

State-owned BR has admitted that it has just been forced to revise upwards the overall losses caused by the strike from a total of £240m to £253m. Almost all of the additional £13m is blamed not on the miners' strike itself but on sympathetic action for the miners by BR's own workforce. BR's freight section accounts for by far the largest chunk of the total loss figure.

Sealink, the harbour and ferry subsidiary of BR, was sold last summer to British Ferries, part of the Sea Containers Group. The sale, which will bring in a total of £66m net for BR, was part of the Government's policy of selling state assets to the private sector.

Payment for Sealink was agreed in two tranches. BR has already received £40m – and all of that money has gone to meet losses in the rail freight sector. The other £26m is due to be paid in July of this year. It is already allotted to pay off more of the losses caused by the pit strike.

Before the start of the pit strike BR was in a position to put £100m a year on the money markets and earn interest from it. Its freight sector was on target to make £36m operating profit – equivalent to a 5 per cent return on assets on a current cost accounting basis – by 1988-89.

Then came the miners' strike. Coal still accounts for some 60 per cent of the rail freight operation's £560m a year turnover.

BR's latest figures, prepared for its chairman Mr Bob Reid, last week, show that losses arising directly from the pit strike amounted to £182m. A further £71m revised upwards from an earlier figure of £60m, were "self-inflicted" by railwaymen who took sympathetic action in support of the miners' claim.

BR was forced to call in the £100m a year it had invested to earn interest. It was also forced to borrow a further £100m. The proceeds from the Sealink sale – which could otherwise have been invested in BR's own business – have all been eaten up by the cash-hungry freight sector.

Management at BR estimates that the total cost of the miners' strike is adding an extra £29m to its net annual interest burden.

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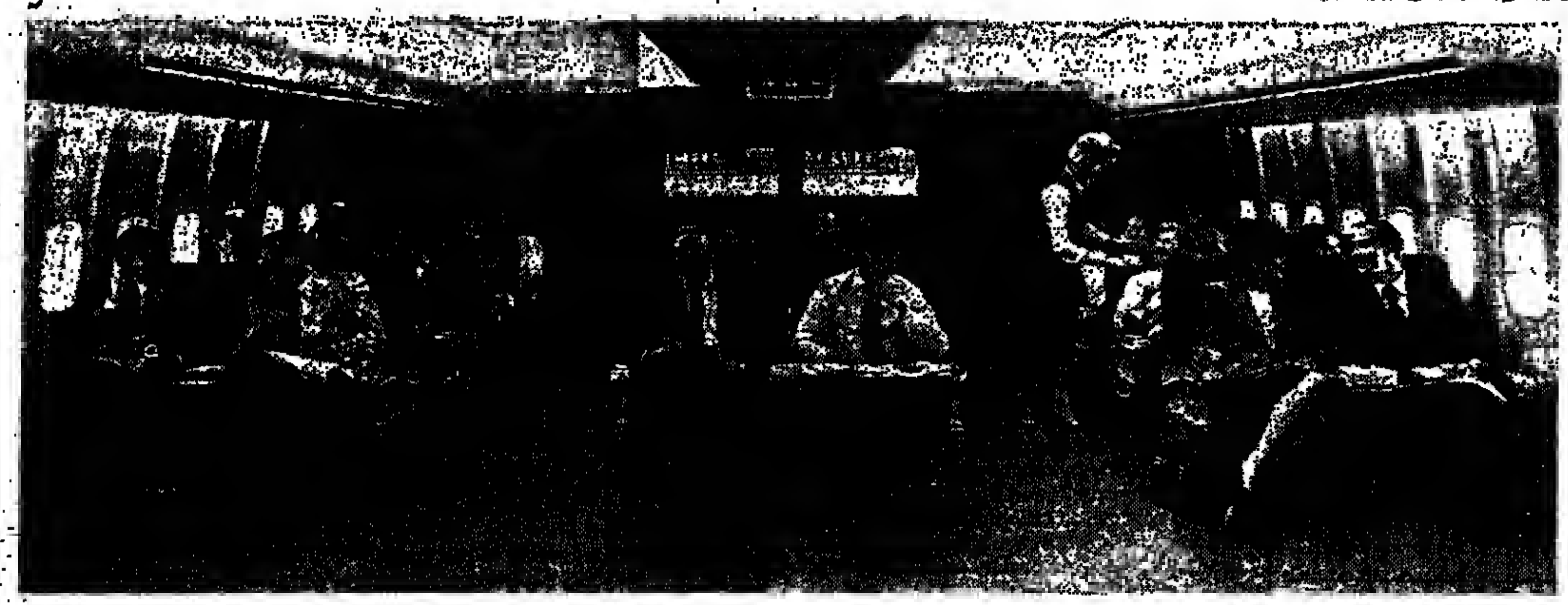

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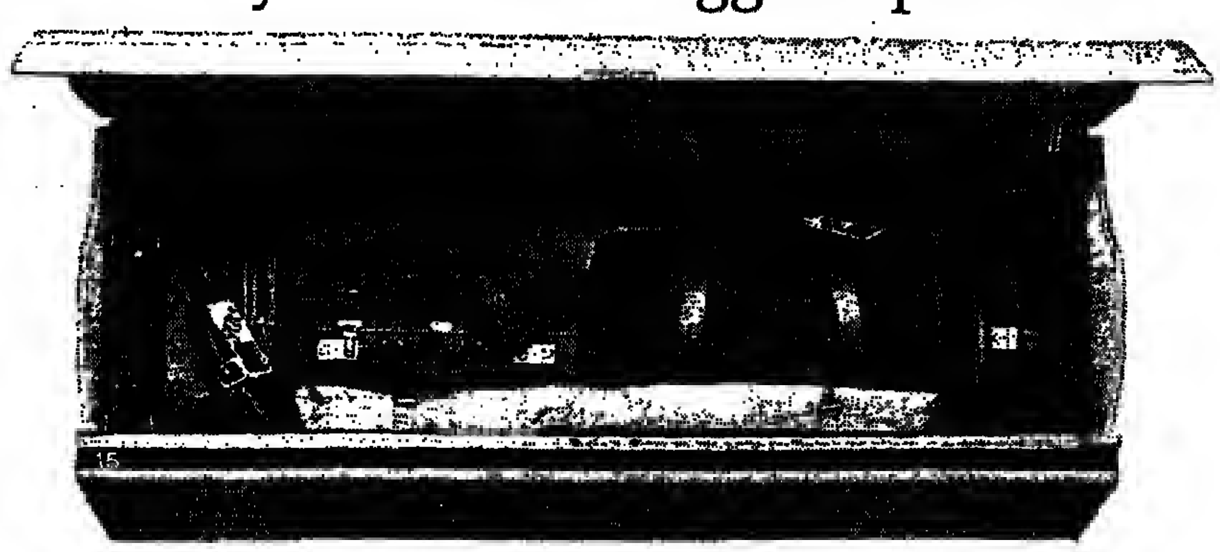

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Tax avoidance practice excludes shipowners from arbitration

THE ASTYANAX

Court of Appeal (Lord Justice Oliver, Lord Justice Kerr and Sir Edward Eveleigh): May 2 1985

WHERE A person takes a charter from shipowners and, acting in his genuine capacity as disponent owner, lets out the ship on sub-charter, the shipowners cannot enforce the sub-charter as undisclosed principals in that in such circumstances there is no principal/agent relationship between them and the disponent owner, and use of the description "disponent owner" is inconsistent with agency.

The Court of Appeal so held when allowing an appeal by Rocco Guiseppe Figli SNC and others, charterers of the Astyanax, from a decision of Mr Justice Leggatt ([1984] 2 Lloyd's Rep 459). The judge had granted a declaration to the shipowners, Asty Maritime Co Ltd, that they were entitled to arbitrate to enforce a charterparty against the charterers, notwithstanding that the party with whom it was concluded, as "disponent owner," was Mr Panagiotis Stravelakis, an employee of the ship's managing agent.

[A "disponent owner" is a person, other than the true owner, who is entitled to dispose of a vessel.]

LORD JUSTICE KERR giving the judgment of the court, said that the Astyanax was owned by a company registered in Cyprus. One of its two directors and its moving spirit was Captain Stravelakis, a Greek citizen.

The vessel's managing agent was a company registered in Panama, which was controlled by Captain Stravelakis. His cousin, Mr Panagiotis Stravelakis ("Mr Panagiottis") was employed in its chartering department.

A chartering fixture was made for the carriage of grain from Argentina to Italy. The charterers were Italian. The fixture resulted from a number of telexes which passed between the parties' brokers in 1979.

Mr Panagiotis was named on the owners' side as the party with whom the fixture was concluded, under the description "disponent owner." The reason for his insertion was to avoid a 4.5 per cent Argentine tax on freight.

The tax was payable unless the beneficiary of the freight was taxable in a country with which the Argentine had a double taxation agreement. That was so in the case of Greece and Italy, but not Cyprus or Panama.

Since Mr Panagiotis was a Greek citizen it was decided to enter him in the charter as "disponent owner." A similar practice had been adopted by the owners on a number of occasions. In the case of a Greek national it would be done by presenting to the Argentine Embassy in Athens the voyage charter showing him as disponent owner, and a time charter from the registered owners to him as charterer.

Shortly after conclusion of the voyage charter, the charterers repudiated the fixture because they found that due to the vessel's age and history they could not insure the cargo on acceptable terms.

The shipowners thereupon instituted arbitration proceedings and appointed an arbitrator. The charterers challenged his jurisdiction.

He formed a premilinary view that he had jurisdiction to decide the disputed issues between Mr Panagiotis and the charterers, and refused the owners' application to be joined as claimants.

The owners claimed a declaration that they were entitled to enforce the fixture by arbitration against the charterers. Mr Justice Leggatt disagreed with the arbitrator and made the declarations claimed. The charterers appealed.

The issue was whether the owners were entitled to enforce the fixture as undisclosed principals of Mr Panagiotis. It raised two main questions: first, whether on the basis of the telex exchanges Mr Panagiotis contracted as principal; secondly, whether the owners were precluded from contending they were undisclosed principals because their purpose throughout was to avoid tax.

The telex exchanges showed that what was contemplated was a sub-chartering arrangement—a time charter between the registered owners and a Greek charterer who would then conclude the fixture in his own name.

Mr Mildon for the owners submitted that in so far as the charterers were saying that the insertion of Mr Panagiotis into the chartering arrangements had been done for an illegal purpose, that part of the contract could be severed.

That submission was wholly untenable. No authority was cited in support of it. If and in so far as the fixture was affected by illegality, there could be no basis for eliminating any terms inserted for an illegal purpose.

Mr Mildon's second submission was that the parties' intention was that Mr Panagiotis was merely to contract as "disponent owner" *in vacuo*, and not on the basis that he would enter into a time charter.

Again the submission was not accepted. The negotiations showed perfectly clearly that the understanding and intention of both parties was that Mr Panagiotis would conclude a head time-charter with the owners and that it was on that basis that he would appear as "disponent owner."

If he was a charterer from the registered owners, then Mr Panagiotis could not have contracted merely as agent on their behalf. The result was that they could not contend they were entitled to enforce the voyage charter as undisclosed principals. The position would be different if the head charter were a mere sham, but that was not supported by the evidence.

The common law doctrine of undisclosed principal entitled an unnamed and undisclosed third party to sue and be sued on a contract in certain circumstances. But a number of conditions must be satisfied before it could apply.

One requirement was that at the time of the contract, there must be an actual and subsisting principal/agent relationship pursuant to which the contract was made by the agent with the other contracting party.

Another requirement concerned the relationship between agent and contracting party. If the terms of the contract in the circumstances were inconsistent with agency because they showed that the agent was in fact acting or purporting to act as principal, then the doctrine and the principal's right of intervention were excluded.

In *O/Y Wasa Steamship [1949] 82 Lloyd's Rep 936* managing agents had express authority to charter out on behalf of shipowners. They did so under a charter in which they were described as "disponent owners." A letter was attached expressly describing them as managers for the owners.

There it was submitted that the owners could not enforce the charter as undisclosed principals because their claim was inconsistent with the managers' description as "disponent owners." Not surprisingly the submission was rejected. The managers had in fact contracted as agents, and their description as disponent owners was not necessarily inconsistent with agency.

That appeared to be the only reported case of chartering out as "disponent owner" where the person was in fact only an agent, and not the charterer under a head charterparty.

In the present case the surrounding circumstances and the course of negotiations clearly showed that it was intended that Mr Panagiotis should conclude a time charter with the owners, and was described as "disponent owner" on that basis.

That was inconsistent with his contracting in the capacity of a mere agent and as a result the owners could not contend that they were in fact undisclosed principals. There was no intended principal/agent relationship between the registered owners and Mr Panagiotis. There was a relationship based on trust but that could not alter the formal legal relationship which the parties intended to create.

Mr Justice Leggatt concluded that Mr Panagiotis was no more than a "nominal intermediary" when the voyage charter was concluded, "at any rate for the time being." That was not the correct approach. The function and status of Mr Panagiotis were intended by all parties to be and to remain the same throughout. It would be artificial commercially and unjust to accept the owners' contention that he was a mere nominee. He was inserted into the transaction as an intended genuine principal for a clear commercial purpose which was shared by all parties concerned.

It was not open to the owners to contend the contrary in the face of the evidence. They could not have it both ways. Since they asserted that the time charter was intended to be a genuine contract and not a mere sham designed to deceive the Argentinian authorities, they could not claim that Mr Panagiotis was merely a nominee.

The owners' contention that they were entitled to enforce the voyage charter failed on the ground that they could not claim to have been undisclosed principals of Mr Panagiotis. Appeal allowed.

For the owners: David Mildon (Horrocks and Co.).

For the charterers: Iain Milligan (Middleton Potts and Co.).

By Rachel Davies
Barrister

TECHNOLOGY

EDITED BY ALAN CANE

Software maketh machine

Alan Cane reports on Microsoft's latest

VISICALC MADE the Apple II, Lotus 1-2-3 made the IBM PC —and Apple had been hoping that "Jazz" would make the Macintosh.

The practise of buying a particular professional personal computer because it is able to run a certain piece of software has been a feature of the microcomputer business since its early days.

So there were shudders in Apple's executive offices recently when it became obvious that Jazz was going to come in late.

The fact is that although microcomputers are the most versatile personal executive tools ever invented, most peopla use them in very limited ways.

Accountants and other financial specialists found electronic spreadsheets a boon hence the success of Visicalc, the first of the genre.

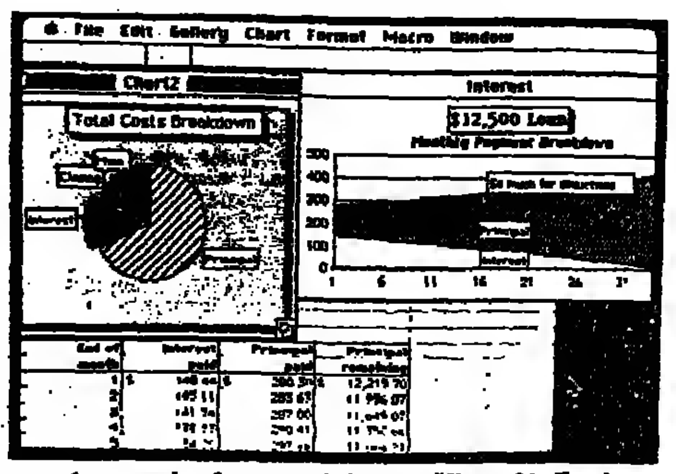
Writers needed word-processing software hence the success of Wordstar.

And both wanted to be able to switch easily from ona kind of operation to another, so guaranteeing the success of 1-2-3.

So why the dismay over the late appearance of Jazz? This program, written by Lotus, is the equivalent of 1-2-3 for Apple's Macintosh computer, whose innovativa "user-friendly" features have been well documented but which has so far failed to make a real impact in the business world.

So Applo was hoping Jazz would turn out to be the key that would unlock corporate doors for its new machine, and hence its disappointment when Lotus was forced to delay the launch of Jazz for a few weeks.

In the meantime, Microsoft, a major software company which wrote the operating software PC/DOS for the IBM PC, has launched a new piece of software which might just do the trick for Apple.



An example of screen windows on Microsoft's Excel

The software, called "Excel," is a spreadsheet, pure and simple, but of magnificent proportions. It provides a matrix of 256 columns by 16,384 rows together with advanced features including the ability to view and referance multiple worksheets on-screen, consolidate and link worksheats and ask "what-if" questions about a number of business situations simultaneously.

And it is designed to work with tha Macintosh and take full advantage of the Macintosh's screen icons (little pictures indicating functions), multiple windows on tha screen and the "mouse," the hand-help pointing and operating device.

It is clearly one of the most powerful spreadsbeets ever devised, considerably in advance of Microsoft's own Multiplan spreadsheet wbich runs on the IBM PC end tha Macintosh.

The puzzle is why Microsoft should have chosen the Apple Macintosh as the launch vehicle for such an important new program.

Microsoft has been involved with the development of the Macintosh since the very beginning and written most of the available aoftware which runs on it, but its stake in IBM/PC type software is even greater and the chances of success with an IBM product much more certain.

After all, there is no guarantee that the business community will ever accept thc Macintosh approach as standard.

The answer seems to be tied up with a Microsoft product "Windows" which is even more delayed than Lotus's Jazz.

Windows will make it possible for the user to vlew several different programs on s single screen at the same time. Unfortunately, since it was announced Microsoft has been unable to bring it to market, chiefly, it seems because Mr William Gates, Microsoft's chief executive is not yet convinced it is up to Microsoft's higb standards.

Excel is designed to run in a "Windows" type environment; if Microsoft Windows is not available, Macintosh windows will clearly do just as well.

But now that "Windows" is within weeks of release, expect e verslon of Excel for die-hard IBM users.

Excel costs £395; available in the U.S. in September.

Robot they gave a Whirl

By Geoffrey Charlish

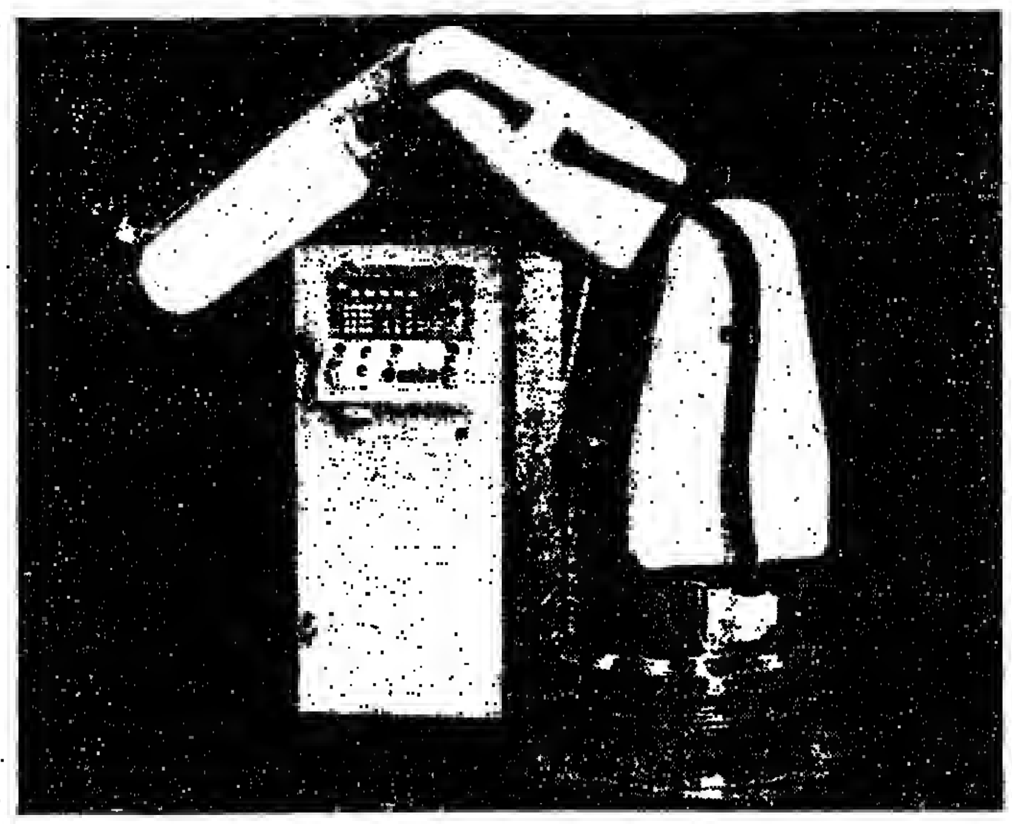
NOW THREE years old, R & D Projects of Nine Elms in London has finisbed development of its first products—a machine tool controller and a robot—and is moving into the much more difficult marketing stage, where it faces the massed might of the Japanese, Americans and Swedes.

Run by Mr Frank Craven, who used to be with Alfred Herbert, the company was set up in April 1982 to exploit ideas emerging from Imperial College.

An early move in August 1983 was to sign an agreement with Thorn EMI under which the electronics giant would manufacturc and sell the continuous path robot designed by RDP. But in the re-organisation at Thorn EMI earlier this year, the programme with the research company was terminated—neither side will say why—so that RDP is looking for another partner to provide additional funding and to undertake marketing.

The robot, which can move 35 kg loads through complex continuous paths, hss trunk, shoulder, elbow and wrist and can move in a 180 degree arc in an "over the shoulder" action. As a result, the robot's resch from one side to another, is 3,650 mm (abont 12 ft). Given the 350 degree rotation of the trunk, tho total working volume is more than 26 cubic metres.

The robot is also fast. In the plane of the arms the maximum speed is 2.5 metres/sec with a load of 35 kg. The repeatability is claimed to be better than plus or minus 0.1 millimetre.


RDP's new 35 kg capacity robot which is likely to cost £50,000 to £60,000

The robot can be programmed from a console or from a teaching pendant, using a multi-microprocessor computer system designed at RDP down to printcd board level. The company has also developed a new robot language called Whirl (standing, rather grandly, for "world high-level interpretiva robot language).

No price has yet been disclosed for the machine, largely becsuse outiets have not been finalised. But it seems likely to be in the £50,000 to £60,000 region.

Rather nearer to the market place is the company's colonr screen-based machine tool controller which was partly finsnced by Prutec, venture capital associate of the Prudential group. Tbis is to be sold througb M snd G Macbine Tool Servicing of Birmingham (021 328 4646).

One aim of the device is to revitalise the 400 or so Batchmatic three-axis machine tools in the field (a design thst originaetd in the old Alfred Herbert company). It will allow the user to set up the complete production of parts on an interactive colour screen next to the machine tool.

No sdaptation is needed—the old controller is unplugged and the new one plugged in. Then, the user can enter part dimensions on the keyboard in a rudimentary form of CAD (computer-aided design) and key in data about the blank from which it is to be turned. The saftware sorts out the cutting paths (also seen on the screen, in another colour), together with the necessary tools, speed and feed rates. Tha Batchmatic performs direct from the controller, slthough intermediate paper tape can be provided, to allow old programs to be used.

RDP says this is the first of a range of controllers which aims to chalenge Japanese and U.S. dominance in this area. It is calimed to be the only advanced system of British design and msnufacture.

The company is also about to start a new manufacturing consnltancy operation called Technical Services, which will draw on its cxperience in control systems and robotics.

The idea is to assist companies needing to develop complete axis control systems including software. The service will also offer a problem-solving facility that will provide answers ranging from the supply of individual programmable control boards througb to the design of controllers and tbe supply, evalustion and proving of totat hardware/software packages.

RDP is at Tideway Industrial Estate, Vauxhall, London (01-627 0168).

Statue of Liberty's Nasa secret

A SPIN-OFF from the U.S.'s space programme is contributing to the massive effort to clean up the Statue of Liberty

Corrosion protection for the statue is being provided by a mixture known as K-Zinc 531, which was originally developed to protect gantries and other structures at America's main space-launch site at the Kennedy Space Center in Florida.

The chemical was developed by workers at the Goddard Space Centcr in Washington DC, one of several bases operated by the National Aeronautics and Space Administration. It is now sold by Inorganic Coatings of Malvern, Pennsylvania.

The mixture contains water, zinc dust and potassium silicate. The latter cnables the coating to bind to stecl structures in just 30 minutes, creating a hard ceramic finish.

ICL catalogue

ICL, THE UK-based computer manufacturer, has launched the second international edition of its catalogue of software.

There are more than 3,700 entries in English, Dutch, French and German covering more than 250 applications areas for the entire ICL product range.

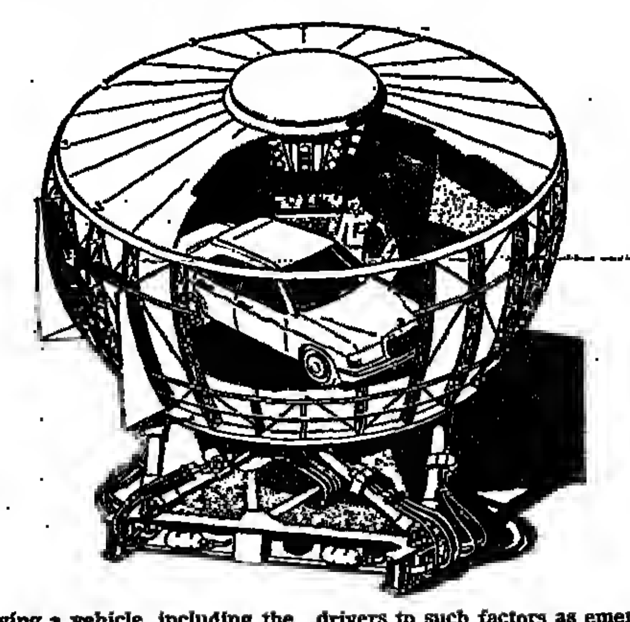
The catalogne is available from the ICL Software Literature Supply Centre, 60 Portman Road, Reading RG3 1NR.

Test drive a Mercedes in a simulator

BY JOHN GRIFFITHS

MERCEDES-BENZ has invested DM 25m (£6.6m) to develop a driving simulator of similar sophistication to those produced by the aerospace industry for commercial pilot training.

Its use extends well beyond assessing driver behaviour, however. It allows mathematically modelled new components for the West German executive car maker's vehicles to be tested, without the components being produced in hard metal. For example, says Mercedes, a whole rear axle concept can be changed, even in the middle of a simulated journey.



The simulator comprises a complete car or truck cab contained in a fully enclosed capsule. The capsule itself is mounted on a network of hydraulic rams which operate three dimensionally. The complete assembly is 7.4 metres in diameter and weighs 4.7 tonnes.

The constantly-changing view presented to tha driver is similar to that which he would experience in normal driving, thanks to computers generating 50 images a second. They are emitted by six video projectors across 180 degrees of the capsule's interior.

The driver undergoes all the normal sensory perceptions of driving a vehicle, including the relevant sounds and forces associated with acceleration, cornering and braking.

Differing traffic and accident situations, weather, road surfaces and other road users' behaviour can also be simulated and the reactions of drivers to such factors as emergencies, bad visibility, stress, tiredness or alcohol can all be assessed.

Mercedes sees the simulator as leading to the amassing of much new information on car and driver behaviour and thus, potentially, improving safety.

THE PROPERTY MARKET BY MICHAEL CASSELL

Stock Conversion emerges from the shadows to face the future

PETER LEVY, son of the co-founder of Stock Conversion and the newest recruit to the hoard of e company now one-quarter owned by Stockley, seems not the slightest bit intimidated by recent events: "The company is not setting out to prove anything in the next six months. We stand on our record, which is a good one, and we are quite capahle of looking after our own future."

Levy, in the company of several of his boardroom colleegues, this week fired what could turn into the first salvo in the battle for control of Stock Conversion. It is a battle which is hy no means certain and which one of the UK's largest property companies certainly does not want.

Even eo, it is taking no chances. In order to put its case for an independent future, the board has finally ended the years of self-imposed seclusion which have mede it one of the most private of publicily qnoted property companies.

Stock Conversion insists that its decision to start talking more frankly about itself was taken some time ago. But there is no hiding the fact that the change of heart has taken on an added urgency since the death last yeer of Stock Conversion's other co-founder and chairman Robert Clark and the subsequent share sale to Stockley, the precocious property operation with impeccable credentials but e very short history.

Stockley'e ultimate intentions remian uncertain, although it has said that it will not make any full-scale hid for at least six months. Confidential talks between the two sides have already been beld and left the newcomer in no doubt that it wil have a major fight on its hands if it gets too big for its boots. So while uncertainty over ownership of the major stake previously held by Clark's family interests has been resolved, doubts remain over Stock Conversion's eventual fate.

Those doubts are not ehared within Stock Conversion, which also insists that its transformation into a more open-minded—as well as open—company was underway before Mr Clark's death and Stockley'e scoop.

"If we have failed at all in the past, it has been e failure to communicate. If we are guilty of anything, we are guilty of silence." Harry Norris, Stock Conversioin's new chairman, accepts that the company's past reluctance to bear its soul may have masked its abilities as an investment and dealing company.

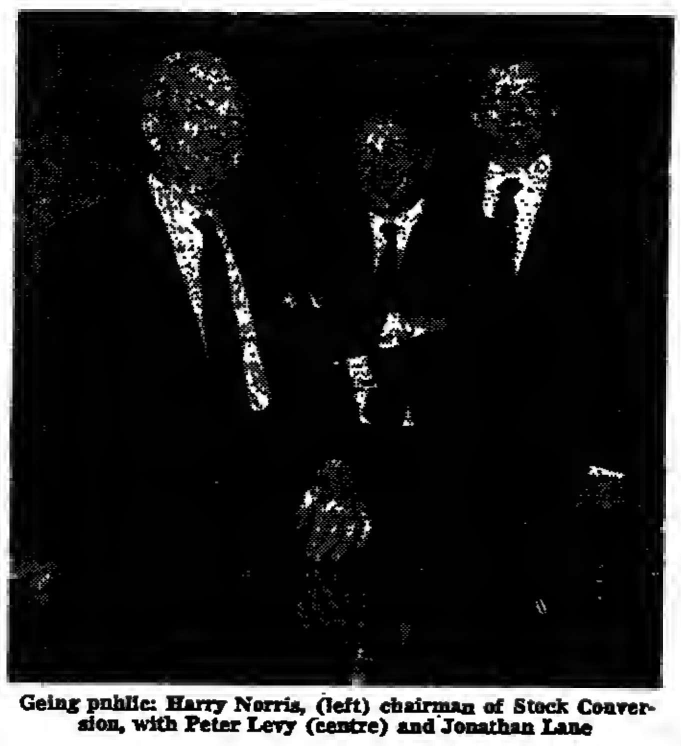
"Our failure to project ourselves may have given a totally incorrect image. Our inbuilt reticence is a part of our history and goes back to the days when the company quietly went about the business of piecing together large development sites. At Euston Centre, about 300 different ownershipe were acquired and not a single agent's board ever appeared. It was our style."

The sentiments are echoed by Jonathan Lane, group general manager: "Younger manage ment has been around since 1978 hut they, quite naturally, were overshadowed by the founders, who tended to believe that you were an apprentice for the first 25 years. Now we have a nine-man management team with an average age of under 40 which is ready to call in specialist expertise on a project basis."

The team is now clearly being given its bead and might even start taking a few leaves out of the Stockley's acquisition book—a move which could work wonders in watering down the new shareholders' influence.

According to Levy, whose family still controls about 10 per cent of Stock Conversion'e equity: "Since Stockley came along, we have been offered three companies, two portfolios and a development site. People are coming to us and we intend to take advantage of our strong base and look hard at the possibilities offered by privete and nublicly-owned portfolios. We beve studied quite a few, though most of them make us realise just how good our own property is."

Stock Conversion's current property portfolio contains around 3m sq ft of office and retail space in London and Glasgow and a similar amount of industrial property. There are 200 individual investments in all, rainging from the 1m sq ft Euston Centre, jointly owned with British Land, to tiny properties in Covent Garden.



Geing pnhlic: Harry Norris, (left) chairman of Stock Conversion, with Peter Levy (centre) and Jonathan Lane

The company is keen to increase its retail investments and also its expoeure in Glasgow, where it has operated successfully since 1967.

Characteristically, the investment properties were last conservatively valued by directors et around £200m and the substantial dealing portfolio is beld at cost. By valne, 65 per cent is in offices, 18 per cent in retail, 13 per cent in industrial and warehousing space and the balance is in bits and pieces. Just over 20 per cent, hy value, is north of the border.

The potential uplift in portfolio value would inevitably play a decisive role in any ensuing bid battle and while the last accounts threw up a net asset valne of 483p, Stockley itself paid around 560p-570p a share. Latest City estimates go as high as 600p.

The company is not due to seek an external valuation until 1987 but, in a major concession to the recent course of events, Levy says the position is being reviewed. The implication is that an outside revaluation is much nearer than previously imagined.

Stock Conversion reckons that, after years of active portfolio management and detailed scrutiny, there is little weeding out left to do. The company says that in the last 12 months it has spent around £5m on refurbishing eight of its investment properties, embasising that mnch of this type of expenditure fails to show up on the balance eheet hecause it is financed ont of revenne from service charges. A few leasehold industrial estates have gone but Lane says there are no problem properties left and that voids are negligible. He adds: "I cannot offer you 500 sq ft of offices in London."

The company has also spent much of its time and a fair cbunk of resources on huying in minority interests in subsidiaries, helping to create enhanced marriage valnes and, sometimes, fresh development opportunities.

Lane cites the example of properties owned in the Old Bailey in the City of London, where 8 years ago the company's investment represented a half-share in a partially assembled development site. Now 100 per cent ownership is almost complete and the site, capable of accommodating 100,000 sq ft of office space, is "ripe for development."

A major programme of new development is now on the way and could inclnde the type of big schemes likely to spark off the type of development partnerships which formed the basis of the company's early growth. Levy says they have not been repeated since because they have not been necessary. "Our very low gearing has given us plenty of slack, so we bave not had to seek long-term, institutional partners and end up working for a project management fee like some developers I could mention." Now, however, Levy does not rule out contracting partnerships and joint ventures on major projects, providing they offer "something extra."

High on the list of projects designed to give Stock Conversion a new, possihly more adventurous, momentum is an 11.5 ecre development site on Western Avenue, west London, where planning consent exists for 235,000 sq ft of commercial huildings with a high office content. A start will be made "fairly soon."

Two miles to the east, Stock Conversion owns the 16.5-acre White City Stadium site and is examining offers which might result in its outright sale or some form of joint development. A decision will be made within a month.

The company has also acquired what it will only describe as "a major development opportunity" in the City of London. The company's most recent scheme in the City is Finsbury Court, a rare joint project with Oldham Estates. The 110,000 sq ft office building has just been let at rents thought to be around £18.50 e square foot.

Since 1964, the company has owned a 1.25m sq ft industrial estate at Hucclecote, Gloucester, together with over 100 acres of airfield land earmarked for further industrial development. To be called Brockworth Industrial Park, work on the project will begin within a year or so.

The Stock Conversion team is also drawing up plans for 215,000 sq ft of offices on a site next to Kings Cross Station and wants to finish off its Euston Centre investment by tackling the remaining, undeveloped 1.25-acre site.

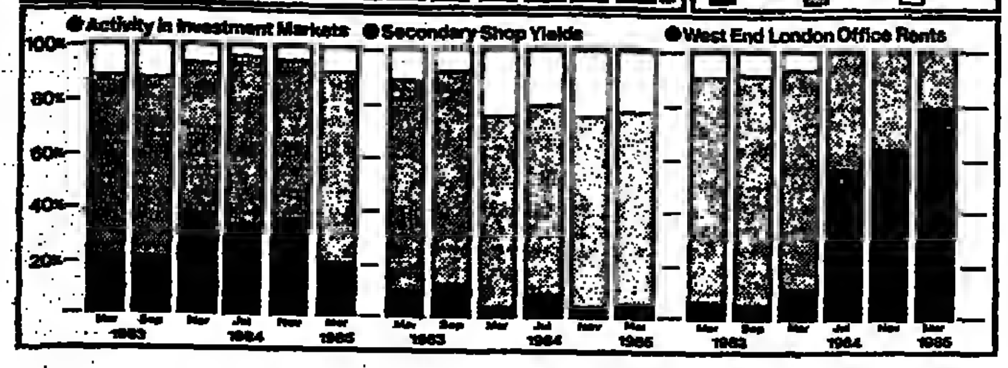
Norris says they are getting on fine with John Ritblat, their new partner at Euston and the man who has been tipped to enter any eventual battle for the company. But the chairman still smarts at the suggestion that Wimpey sold to British Land because it got fed up with Stock Conversion's passive approach.

It was, he says, simply not true—though he accepts that the company has not always made life easier for itself hy keeping quiet. No such danger from now on.

UK NEWS-THE FT RICS PROPERTY INDICATORS

● A poll by the Royal Institution of Chartered Surveyors, RICS member-firms and investing institutions in all regions were asked if there was a rising (R) static (S) or falling (F) trend in rents, investment yields, capital values and investment activity for different classes of commercial and industrial property.

Rising Stable Falling



Investment levels off

THERE were few signs of rising investment activity in UK commercial property markets during the first few months of 1985, according to the results of the 27th Business Indicator Poll conducted jointly by the Royal Institution of Chartered Surveyors and the Financial Times.

The poll, in which nearly 200 surveying firms and investing institutions take part, shows that, *if anything, the rising* trend of investment activity recorded towards the end of 1984 was not carried through into the early part of this year.

At the time of the previous nationwide inquiry, a third of all respondents believed investment activity was on the increase and about 60 per cent reported a static situation. The March poll, however, shows that only around 20 per cent of those taking part felt *investment* levels were rising. Over 70 per cent believed they were stable.

The findings come shortly after government figures which showed that, after several years of decline, institutional spending on commercial property in the UK held steady during 1984. The expectations have been that a further improvement will be recorded in 1985, although the poll's findings contain no evidence of any significant revival.

But there is evidence that the revival in the lettings market, which it is hoped will stimulate investment, is continuing. There are still *more respondents* around the country reporting static rather than rising rents but the balance is changing. In the City of London and in the West End, a large majority now say rents are rising and there are even some signs in the north and north-west of modest improvement.

Rents are also increasing in the *retail sector*, particularly in London's West End but also in the south-east region beyond the capital, where 95 per cent of returns report rising rental levels. In the warehousing market, rents around the country are generally static. In one or two black spots, like Wales and the West Midlands, there are some reports of falling rents. The factory market also remains generally subdued.

Yields for offices and prime shops are reported to be fairly stable, particularly in London markets. There are few signs that yields are falling, although quite a high proportion of those *taking* part in the poll say they are declining in the secondary shops sector. Yields *on factory* and warehousing investments remain stable or appear to be rising.

Capital values are said to be rising in some specific locations. In the City and West End, for example, well over two-thirds of respondents say office values *are increasing*, a considerable improvement in the situation since the last poll.

MICHAEL CASSELL

AREAS

		LON. CITY %	WEST END %	REST GLC %	SE (EX-LON.) %	N %	NW %	EAST ANGLIA %	YORKS & HUMBER %	EAST MIDS. %	WEST MIDS. %	SW %	SCOT. %	WALES %	N. IRE. %	NATIONAL %
QUESTION 1 Compared with three months ago: What is the trend in rents?																
(a) Offices	R	93	79	17	60	8	20	31	25	21	20	25	64	25	50	39
	S	7	21	83	40	77	73	69	69	71	73	70	36	75	50	58
	F	0	0	0	0	15	7	0	6	8	7	5	0	0	0	3
(b) Prime Regional Shops	R	71	93	80	95	62	80	69	81	57	73	58	57	88	80	74
	S	29	7	20	5	38	20	31	19	36	27	42	43	12	20	25
	F	0	0	0	0	0	0	0	0	7	0	0	0	0	0	1
(c) Secondary Shops	R	56	71	67	80	46	53	69	63	40	73	35	35	63	80	59
	S	44	29	33	20	54	47	31	37	53	27	65	57	25	20	40
	F	0	0	0	0	0	0	0	0	7	0	0	0	12	0	1
(d) Modern Factories	R	20	0	9	35	0	7	8	6	7	0	30	8	0	20	12
	S	80	100	82	60	85	93	92	88	86	80	70	84	88	60	01
	F	0	0	9	5	15	0	0	6	7	20	0	8	20	20	7
(e) Modern Warehouses	R	25	0	17	50	0	7	8	6	6	0	30	0	0	20	14
	S	75	100	83	50	92	93	92	88	88	93	70	92	88	80	82
	F	0	0	0	0	8	0	0	6	6	7	0	8	12	20	7
QUESTION 2 What is the trend of invest yields?																
(a) Offices	R	0	0	36	16	40	38	36	43	33	31	13	25	29	0	24
	S	100	100	64	78	60	62	64	57	67	61	81	75	71	80	73
	F	0	0	0	6	0	0	0	0	0	8	6	0	0	20	3
(b) Prime Regional Shops	R	0	0	0	11	8	0	8	13	9	7	13	0	0	20	7
	S	100	100	90	84	75	77	84	80	73	71	87	85	100	20	82
	F	0	0	10	5	17	23	8	7	18	22	0	15	0	60	11
(c) Secondary Shops	R	0	9	0	5	17	54	0	13	8	0	0	20	0	0	6
	S	88	73	80	74	58	46	67	60	67	62	94	80	86	50	71
	F	12	18	20	21	25	0	33	27	25	30	6	0	14	50	23
(d) Modern Factories	R	20	75	30	21	27	23	17	29	25	38	11	23	14	33	25
	S	80	25	70	68	64	62	83	64	67	46	72	69	86	67	67
	F	0	0	0	11	9	15	0	7	8	16	17	8	0	0	8
(e) Modern Warehouses	R	20	25	34	27	36	31	25	36	34	43	17	23	29	25	29
	S	80	75	64	68	55	54	75	57	58	43	72	69	71	75	54
	F	0	0	0	5	9	15	0	7	8	14	11	8	0	0	7
QUESTION 3 What is the trend in capital values?																
(a) Offices	R	79	85	18	44	8	24	17	20	15	14	17	54	14	40	33
	S	21	15	55	50	58	38	66	60	62	72	66	33	57	60	51
	F	0	0	27	6	34	38	17	20	23	14	17	0	29	0	16
(b) Prime Regional Shops	R	67	85	78	79	50	54	59	73	50	71	53	62	71	80	66
	S	33	15	22	21	50	46	33	27	42	29	47	38	29	20	33
	F	0	0	0	0	0	0	8	0	8	0	0	0	0	0	1
(c) Secondary Shops	R	57	69	89	63	42	64	59	53	54	79	32	38	71	60	58
	S	43	23	11	32	50	36	33	47	38	21	68	54	29	20	38
	F	0	8	0	5	8	0	8	0	0	0	0	8	0	20	4
(d) Modern Factories	R	25	0	10	37	0	0	8	7	8	14	11	8	0	0	10
	S	50	50	70	47	75	64	84	80	67	57	74	69	86	40	67
	F	25	50	20	14	25	36	8	13	25	29	15	23	14	60	23
(e) Modern Warehouses	R	0	0	0	26	0	0	0	7	8	0	11	8	0	0	0
	S	100	75	91	63	67	53	75	73	58	64	68	77	71	60	37
	F	0	25	9	11	33	47	25	20	34	36	21	15	29	40	63
(f) Industrial Land	R	0	25	40	58	0	7	8	13	9	0	11	0	0	20	15
	S	100	75	60	26	83	73	75	81	82	86	78	82	86	80	73
	F	0	0	0	16	17	20	17	6	9	14	11	18	14	0	12
QUESTION 4																
Activity in Investment Markets	R	0	33	9	33	8	23	10	33	34	7	20	8	0	100	20
	S	100	59	91	44	84	69	80	67	58	79	67	84	86	0	71
	F	0	8	0	23	8	8	10	0	8	14	13	8	14	0	9

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
10	11	12	13	14	15	16

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Only a single opera performance at Covent Garden this week – the last in the current run of King Priam, revived to celebrate Michael Tippett's 80th birthday, and worth catching for the very fine singing (from Robin Leggate, Phyllis Cannan, Felicity Palmer, and Deoo van der Walt, among others) rather than for the now dated and rather tatty production. (240 1066).

English National Opera, Coliseum: As its tribute to Tippett, the ENO makes a sizeable and handsome gesture in the form of a new and much-awaited production of The Midsummer Marriage by David Pountney, conducted by Mark Elder, *with a cast including Helen* Field, John Treleavan, Lesley Garrett, and Anthony Raffell. Further performances of the current, uneven revival of The Marriage of Figaro (with an outstanding Cherubino in Diana Montague), also of The Bartered Bride and Madam Butterfly (836 3161).

PARIS

Katya Kabanova in Brussels National Opera production conducted by Sylvain Cambreling. The Moravian composer's work on love and sin is given at the TMP-Châtelet (233 4444).

Don Giovanni in the framework of the Orchestre da Paris' Mozart Festival with Daniel Barenboim conducting and Jean-Pierre Ponnelle responsible for production, decor and costumes. Théâtre des Champs-Elysées (563 0740).

Alceste is followed by Verdi's Bal Masquè in Covent Garden's productioo conducted by Gianluigi Gelmetti with Luciano Pavarotti/Taro Ichahara in the role of Riccardo, Juan Pons as Renato and Natalia Troitskaya es Amelia at the Paris Opéra (266 5022).

Nederland Dans Theater continues to astound and enchant under its Czech director Jiri Kylian at the Théâtre de la Ville (274 2277).

WEST GERMANY

Berlin, Deutsche Oper: Manon Lescaut, sung in Italian, has fine interpretations by Raina Kabaivanska and Franco Taglavini. Pelléas and Mélisande returns to the programme and has Karen Armstrong and Harald Stamm as leads. (34 381).

Hamburg, Staatsoper: This week's highlight is Rossini's Semiramis in a concert version starring Montserrat Caballé, Francisco Araiza, Marilyn Horn and Samuel Ramey. Der Freischütz brings together Judith Beckmann and Robert Schunk. The Magic Flute has Celina Lindsley as Queen of the Nigbt. (351 151).

Frankfurt, Opera: Tosca has Giacomo Aragall in the part of Cavaradossi. Hoffmanns Erzählungen, produced by Herbert Wernicke, has William Cochran in the title role. Also this week, Falstaff and La Bohème. The latter bas Jose Carreras and Yoko Watanabe. (25 621).

Thissen as his adversary, Abbot Trithemius, and Annett Andriessen as his mother. Directed by Charles Hamilton. Wed in Groningen, Stadsschouwburg (12 56 45).

Amsterdam, Stadsschouwburg. Debussy's Pelléas et Meelisande from the Netherlands Opera, directed by Filippo Sanjust, with the Rotterdam Philharmonic and the Opera Choir under Michel Plasson. Sheri Greenawald as Melisande (Wed). (24 23 11).

BRUSSELS

Théâtre Royale da la Monnaie: Capriccio by Richard Strauss conducted by Sir John Pritchard, directed by John Cox with Felicity Lott, Lenus Carlson, Eberhard Büchner and John Pringle; Doctor Faustus conducted by *Lucas* Vis *(world premiere)*. (217 22 11).

ITALY

Milan, Teatro alla Scala: Romeo and Juliet – choreograpby by John Cranko, to Prokofiev's music, conducted by Michael Sasson. Paris National Opera production with Renata Calderini, Maurizio Bellezza and Matteo Buongiorno; Also Giorgio Strehler's production of Macbeth (first seen in 1975), conducted by Claudio Abbado and with scenery and costumes by Luciano Damiani. The cast includes Ghena Dimitrova, Francesca Garbi, Aldo Bramante (80 61 26).

Rome, Teatro dell'Opera: Three ballets, danced by Maia Plissetskaia – Petrushka by Michel Fokine. Les Biches by Nijinskaia and Phedre by Serge Lifar, conducted by Alam Lombard (46 17 55).

NETHERLANDS

Dr Faustus by Konrad Boehmer, performed by the Netherlands Opera with the Broadcasting Orchestra conducted by Lucas Vis. The libretto by Hugo Claus is based on 16th-century written sources and presents Faust not as the tragic hero of legend but as a third-rate magician. Ernst Daniel Smid as Faust, Ton

VIENNA

Staatsoper: The Barber of Seville; La Bohème; Die Meistersinger conducted by Schneider with Popp, Jahn, Weikl, Schreier, Moll, Prey; Der *Rosenkavalier conducted* by *Stein* with Leonie Rysanek, Fassbaender, Laki, Lotte Rysanek; Raymonda by Glazunov, Nureyev and Petipa, conducted by Schirmer, Aida. (53 24/26 55).

Volksoper: Die Entführung aus dem Serail; Die Kluge conducted by Artmuller; Suppé's Die Schöne Galathee; Millöcker's Der Bettelstudent; Lehar's Das Land des Lachelns; Britten's Beggar's Opera; La Bohème. (53 24/26 57).

NEW YORK

American Ballet Theatre (Metropolitan Opera House): Mikhail Baryshnikov and company, including Natalia Makarova, Cynthia Gregory, Patrick Bissell and Clark Tippet, dance a mixed programme from their eight-week repertory. Ends Jun 15. Lincoln Center (362 6000).

New York City Ballet (New York State Theatre). A new ballet by Jerome Robbins joins Balanchine and Robbins favourites, including A Midsummer Night's Dream, Firebird, La Valse and Apollo, in the company's two-month season. Ends Jun 23. Lincoln Center (870 5570).

Beggar's Opera (Lilie Blake School): Opera Ensemble's last production of the seasoo is Benjamin Britten's version of John Gay. Ends May 19. 45 E. 81st (288 1485).

WASHINGTON

San Francisco Ballet (Opera House). Mixed programme from one of America's liveliest dance companies. Ends May 25 (254 3770).

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter oo Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

Noises Off (Brooks Atkinson): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

Music

PARIS

Orchestre Colonne conducted by Antonello Allemandi with Raphael Orozco: Chopin, Mahler (Mon). Salle Pleyel (561 0630).

Jean-Pierre Rampal, flute, Sbigenori Kudo, flute, with piano and harpsichord: Bach, Boehm, Mozart, Telemann (6.30pm Moo). TMP-Châtelet (233 4444).

Ensemble Orchestral de Paris conducted by Emmanuel Krivine, Arthur Grumiaux, violin: Mozart, Wegner (Tue). Salle Pleyel (561 0630).

Orchestra and Choir Paul Kuentz: Bach B Minor Mass (Tue). Saint-Severin Church (563 7480).

LONDON

Issac Stern, violin, and Jean-Bernard Pommier, piano. Mozart, Bach, Fauré, Szymanowski and Ravel. Royal Festival Hall (Moo). (928 3181).

Philharmonia Orchestra and Chorus conducted by Carlo Maria Giulini with soloists including Anne Evans, soprano, and Siegfried Jerusalem, tenor. Beethoven's Missa Solemnis. Royal Festival Hall (Tue and Thur).

London Mozart Players conducted by Jane Glover with Simon Callow narrator. Mozart. Royal Festival Hall (Wed).

WEST GERMANY

Berlin, Philharmonic: The Berlin Philharmonic Orchestra, conducted by Reinhard Peters, offers a German premiere of Kagel's concert version of Die Erschöpfung der Welt. (Tue, Wed).

ITALY

Milan, Teatro alla Scala: The Tenor Francisco Araiza accompanied by Irwin Gage singing Schobert, Fauré, Ravel and Richard Strauss. (Mon). (80 61 26).

Rome, Auditorium of via della Conciliazione: Giuseppe Sinopoli cooducting Mahler's Third Symphony with the contralto Waltraut Meier. (Moo and Tue). (654 1044).

Rome, Oratorio del Gonfalone: Vicolo della Scimia 1/B (Via Giulia) – L'Ecole d'Orphée with sonatas by Handel and Telemann (Thur). (655 952).

NETHERLANDS

Utrecht, Muziekcentrum Vredenburg. Hubert Soudant conducting, the Utrecht Symphony Orchestra, with Mischa Maisky, cello. Dvorak, Stravinsky (Tue); Utrecht Symphony Orchestra under Hubert Soudant, with Melanie Horne, piano. Mozart, Beethoven (Wed). Recital Hall: Keiko Abe, vibraphooe (Wed). The Warne Marsh Quartet (Thur). (31 45 44).

NEW YORK

New York Philharmonic (Avery Fisher): Conductor Zubin Mehta with New York Choral Artists: Prokofiev, Mussorgsky (Thur); conductor Zubin Mehta: Bach, Mozart, Strauss (Thur). Lincoln Center (874 2424).

Carnegie Hall: Torooto Symphony, condoctor Andrew Davis; Maureen Forrester, cootralto. Bartok, Brahms, Schafer (Tue); Cleveland Orchrestra; conductor Christoph von Dohnanyi; Alfred Brendel, piano. Bartok, Janacek, Brahms (Wed); St Cecilia Chorus & Orchestra: conductor David Randolph Verdi, Vaughan Williams (Thur). (247 7459).

VIENNA

Consortium Musicum alte Universität conducted by Martin Sieghart with Wynton Marsalis, Trumpet, Schwertsik, Haydn, Hummel and Schubert. Konzerthaus. (Mon).

American Landmark Festival with Marilee Williams, soprano, Lisa Conklin-Bishop, mezzo-soprano, and Walter Moore, piano. Monteverdi, Cherubini, Rossini, Barber and Britten. Bosendorfer Saal. (Tue). (65 66 51).

WASHINGTON

National Symphony (Concert Hall): Conductor Mstislav Rostropovich; *Alicia de Larrocha, piano; Glinka,* Mozart, Brahms (Tue); conductor Mstislav Rostropovich; Lynn Harrell, cello; Kenneth Pasmanick, bassoon: Schubert, Schuller, Saint-Saens, Ravel (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Conductor Erich Leinsdorf. Mozart, Copland (Thur). (435 6122).

TOKYO

The English Concert conducted by Trevor Pinnock, harpsicord. Soloists: Simon Standage, Elizabeth Wilcock, violin; Masahiro Arita, flute: David Reischenberg, oboe. Boyce, Purcell, Händel, Stanley. Kan-i Hoken Hall, Gotanda. (Mon). (237 9990; 470 2727).

Seiko Seki (piano): Mozart. Ongaku-no-tomo Hall. (Tue). (235 2115).

Exhibitions

LONDON

The Saatchi Collection: Charles and Doris Saatchi have been collectors of contemporary art since 1670. The catalogue of their collection, The Art Of Our Time, is being published volume by volume, and a gallery established to make it available to a wider public. The gallery is an astonishing converted paint warehouse at 68a Boundary Road, NW8, that offers more exhibition space for temporary shows than any other gallery in London, except perhaps the Tate. There are to be three or four shows a year, of a few artists at a time. Those now being shown are Cy Twombly, Brice Marden, Andy Warhol, Don Judd, and Richard Serra. The gallery is open on Fridays and Saturdays between 12 and 6, or by appointment. (624 8299).

PARIS

James Tissot: A nostalgic evocation of the charms of Edwardian life, with his fashion-plate perfection in rendering ladies' rustling dresses and beautiful hats, surrounded by attentive dandies at various social occasions. This show arrives in Paris from the Barbican, London. Petit Palais. Closed Mon. Ends Jun 30.

La Nouvelle Biennale de Paris assembles 120 painters of all nationalities. Punk-style posters lure visitors to the trans-avant-garde fun-fair of the arts spreading over 12,000 square metres in a vast hall of the former La Villette Slaughter House. 211 Avenue Jean-Jaures, Metro Porte de *Pantin (730 2525) Ends May 21.*

WEST GERMANY

Berlin, Schloss Charlottenburg, Spandauer Damm, Neuer Flugel: Berlin is putting on the biggest exhibitioo of Antoine Watteau to commemorate the 300th anniversary of his birth. The National Gallery of Arts, Washington, the State Museum of France and the administration of Berlin's castles are sponsoring the show. The French rococo painter often used poor quality colours, therefore many of his paintings are in a bad condition and have not been displayed before. The exhibition includes 73 drawings and 143 paintings. Ends May 25.

Cologne, Kunsthalle, Josef-Haubrich-Hof I: "Ornamenta Ecclesiae." To underline the importance of the romanesque churches, the Cologne Schnüttgen museum has organised an exhibition of roughly 600 religious works ranging from 11th to 13th century including illuminated manuscripts and gold artifacts. Ends June 9.

Stuttgart, Staatsgalerie, Konrad-Adenauer Straße 30-32: The German romanticist Caspar David Friedrich (1774-1840). Ends May 26.

Cologne, Wallraf-Richartz-Museum, An der Rechtschule: Fifteen paintings by six Dutch masters of the Utrecht school on loan from the Utrecht Zentralmuseum. Ends May 20.

BRUSSELS

Hotel Metropole is celebrating its 90th year and in its splendid *fin de siècle* public areas, worth a visit in themselves, they are exhibiting glass and objets d'art from the Belle Epoque to Art Nouveau including works by Wouters, Gallé and Daum. Also oo show are a collection of illustrated menu cards including a Press Banquet in 1893, Congo in 1898 and Sarah Bernhardt in 1896. Ends Jul 20.

ITALY

Genoa, Palazzo Della Commenda: Japan – The Avant-Garde of the Future: *Antique Kimonos from Kyoto* form part of the historical sectioo of a huge exhibition of contemporary Japanese art at various centres in Genoa. The series of early Japanese erotic prints (from the Museo Chiassone) – shown here for the first time in public – form an amusing contrast with Hajime Sorayama's sexy robots (at the Teatro Falcone), which are everywhere in Italy at the moment advertising a well-known make of car. Until mid-June.

Turin: Palazzo Reale: Indian miniatures from the 17th to the 19th century entitled Life At The Court of Rajasthan. The paintings come mainly from the Victoria and Albert Museum and the Museo Rietberg in Zurich. Ends May 22.

Ca' Vendramin Calergi (Venice) – Wagnerian apartments: Japanese figurative art 1873-1974. An exhibition organised in collaboration with the Japan foundatioo of works of more than 50 artists, showing how the traditional style has been modified by European and American influences. Ends May 19.

Rome, Palazzo dei Conservatori in Compidoglio. From Cézanne to Picasso: 42 Masterpieces from Soviet museums. A wonderful collectioo of Impressionist gems lent by the *Hermitage in Leningrad* and the Pushkin Museum in Moscow, 17 of which have never before left Russia. The collection includes works by renoir, Van Gogh, Matisse, Monet, Gauguin, Cézanne and Picasso. Ends Jun 15. Istituto Nazionale per la Grafica, Via della Stamperia 6. Julia Margaret Cameron: Photographs 1815-79. A fascinating series of photographs by one of the first and most successful of Victorian amateur photographers. Ends May 17.

NETHERLANDS

Paul Klee at the Commanderie van Sint-Jan Museum in Nijmegen. 60 paintings, watercolours and drawings covering the years 1906-39 oo loan from the holdings of the Kunstsammlung Nordrhein-Westfalen. Ends Jun 23.

VIENNA

Vienna 1870–1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoshka, Aldolf Loos, Josef Hoffman – in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developmeots (ootably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism oo the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension betweeo autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of *Hoffman's room* at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

NEW YORK

Metropolitan Museum: 30 objects from the period between the 1851 Crystal Palace Exhibition to the 1900 World Fair in Paris demonstrate the show's theme of Revivals and Explorations in European decorative arts. Ends Sept 5.

Museum of Modern Art. The first comprehensive retrospective of Henri Rousseau, including 60 works from as far away as Prague, show the masterful playfulness of the Paris toll collector who brought together man and nature at their most benign and intriguing. Ends June 4.

WASHINGTON

National Gallery. Ancient Art of the American Woodland Indians includes 151 pieces covering 5,000 years of sculpture, ceramics, copper and shell objects of the native Americans who lived in what is now the eastern half of the U.S. Ends Aug 4.

CHICAGO

Art Institute: Though Edouard Manet made etchings primarily to reproduce and publicize his paintings, he developed a unique style as shown in the 27 etchings in this special exhibit of more than a third of his total *output of 75 etchings. Ends Sept 2.*

Contracts & Tenders

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

MINISTERE DE L'HYDRAULIQUE DE L'ENVIRONNEMENT ET DES FORETS
(Ministry for the Environment, Water Resources and Forestry).

DIRECTION GENERALE DES INFRASTRUCTURES HYDRAULIQUES
General Division for Hydraulic Infrastructures

OPEN NATIONAL AND INTERNATIONAL CALL FOR TENDERS
CONSTRUCTION OF THE BOUKOURDANE DAM ON THE OUED EL HACHEM
WILAYA DE TIPAZA

The Ministère de l'Hydraulique de l'Environnement et des Forêts, Direction Générale des Infrastructures is launching a National and International open Call for Tenders for the construction of the dam at BOUKOURDANE SUR L'OUED EL HACHEM, WILAYA DE TIPAZA.

The works relating to this Call for Tenders concern the erection of an earth dam in an eluvial zone:

1. Cutting works — 550,000.00 m³
2. Filling works — 3,500,000.00 m³
3. Concrete — 100,000.00m³
4. Drilling — 40,000.00m⁴
5. Grout curtain — 30,000.00m²
6. Cast wall — 5,000.00m²

Interested companies may obtain the specifications by writing to the Ministère de l'Hydraulique de l'Environnement et des Forêts, Direction Générale des Infrastructures — D.I.M.T. — KOUBA ALGER — together with 3,000 DA as payment, with effect from 22 April 1985.

Tenders prepared according to the clauses in the specifications and the current regulations should be submitted in a double sealed envelope and addressed as follows:

MINISTERE DE L'HYDRAULIQUE DE L'ENVIRONNEMENT ET DES FORETS
DIRECTION GENERALE DE L'ADMINISTRATION
BUREAU DES MARCHES, KOUBA, ALGER

with the heading "Appel d'Offre International du barrage de Boukourdane," the exterior of the envelope bearing no writing which might identify the tenderer.
The deadline for tendering is set at noon on 31 July 1985.
Tenderers shall be bound for 120 days following the date of closure for submission of offers.

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE
(Algerian Popular Democratic Republic)
MINISTERE DE L'ENERGIE ET DES INDUSTRIES ET PETROCHIMIQUES
(Ministry for Energy & Chemical & Petrochemical Industries)
ENTREPRISE NATIONALE DE RAFFINAGE ET DE DISTRIBUTION DES PRODUITS PETROLIERS
(National Company for the Refining and Distribution of Petroleum Products)
"NAFTAL"
DIRECTION AVIATION MARINE
(Marine Aviation Division)
HOUARI BOUMEDIENE AIRPORT - DAR EL BEIDA
ALGIERS - ALGERIA
NOTICE OF RESTRICTED NATIONAL AND INTERNATIONAL CALL FOR TENDERS
NUMBER 01-84 AVM LAB

A "Restricted" National and International Call for Tender is being launched for the maintenance, in the course of 1985, of equipment in the NAFTAL Laboratory, Dar El Beida, Marine Aviation Division, which controls the quality of the products employed in refuelling aeroplanes and ships. This maintenance involves monitoring operations every six months in the interests of breakdown prevention, and calibration at a similar interval and, in case of deterioration of parts, replacement parts to be provided if necessary by the tenderer. In the event of unexpected breakdown, servicing to be effected within 10 days.
This Call for Tenders is only intended for companies specialising in laboratory equipment for petroleum products.
Amalgamations, representatives of companies and other intermediaries are excluded, in conformity with the provisions of the Law no 78-02 of 11 February 1978, governing State Monopoly on Foreign Trade.
Interested tenderers may obtain the specifications from the above address against presentation of a written request signed by an authorised person in the company and payment of 300 DA for establishment costs for the specifications.
The Tenders drafted in French, prepared in three (03) copies, should be sent by post, in a double-sealed envelope, clearly bearing the heading on the outside "Avis d'Appel à la Concurrence National et International no 01-84 AVM-LAB—NE PAS OUVRIR" (National and International Call for Tenders No 01-84 AVM-LAB—DO NOT OPEN).
The outside of the envelope should be unmarked. All those bearing any information which might identify them will be rejected.
The deadline for submission of tenders is fixed at 90 days with effect from the publication of this Call for Tender in the press, the date stamp furnishing proof of posting.
Tenderers shall be bound to their offers for a period of 90 days following the date of closure of this Call.
In support of their offers, the tenderers should attach the documents requested in the specifications.

Legal Notices

Company No. 566466
Registered in England
In the Matter of
THE COMPANIES ACTS, 1948 to 1981
and
In the Matter of
J. COPSEY & SON LTD.
Registered Office and Business Address:
ROTHMANS, GT. BADDOW, ESSEX

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act 1948 and Section 100 of the Companies Act 1981 that a Meeting of the Creditors of the above named company will be held at Conneught Rooms, Gt. Queen Street, London WC2, on Thursday, 23 May 1985, at 11.30 a.m. for the purpose mentioned in Section 294 et seq of the Companies Act 1948.
Dated this 2nd day of May 1985.
By Order of the Board
DAVID J. COPSEY
Director/Secretary

IN THE MATTER OF
FUTUREPACE LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 26th day of April, 1985, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Patrick Walter John Hartigan, of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 15th day of March, 1985.
PATRICK WALTER JOHN HARTIGAN,
Liquidator.

ACCOR
Corporation organised under French law (Société Anonyme)
Capital: French francs 000,216,700
Registered Head Office:
6 rue de la Mare Neuve
91000 EVRY (FRANCE)
Commercial Register:
Corbeil-Essonnes B 602 035 444

SECOND NOTICE TO HOLDERS OF BONDS 7½% 1004-1099 OF U.S.$1,000 EACH, CONVERTIBLE INTO ORDINARY SHARES OF ACCOR

The holders of international bonds 7½% 1084-1000 issued by ACCOR and convertible into ordinary shares who were called for May 9, 1985, being unable to meet validly for lack of quorum, are again called to an Ordinary General Meeting, at 50, boulevard Haussmann, Paris Sema (France) on May 20, 1985 at 0 p.m. in order to consider the same agenda as the one for the first meeting, that is:
—Appointment of the bondholders' representatives
—Determination of the bondholders' representatives' powers and of their remuneration
—Approval of the proposal to be submitted on May 20, 1985, to the shareholders at an Extraordinary General Meeting to renounce their preferential right to subscribe new debentures with warrants to subscribe common shares
To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested.
The Board of Directors

Company Notices

NOTICE OF REDEMPTION TO HOLDERS OF ENI INTERNATIONAL BANK LIMITED
(Formerly Tradinvest Bank and Trust Co. of Nassau Ltd)
U.S.$150,000,000 Guaranteed Floating Rate Notes due 1989

Notice is hereby given that in accordance with condition 7(c) of the Notes and section 4(b) of the Paying Agency Agreement dated as of 17th December 1981 between Tradinvest Bank and Trust Co. of Nassau Ltd., (Tradinvest) and Ente Nazionale Idrocarburi (Guarantor) and The Long-Term Credit Bank of Japan, Ltd., London, as Principal Paying Agent, Tradinvest has elected to redeem all of the issue on the next interest payment date falling on 19th June, 1985. The Notes will be redeemed at par value for the principal plus interest to the date set for redemption. On the 19th June, 1985 the Notes will cease to accrue interest. The Notes will be redeemed upon presentation and surrender together with all unmatured coupons at the offices of The Long-Term Credit Bank of Japan, Ltd., London, Credit Lyonnais, Paris, Credit Lyonnais, Luxembourg, Morgan Guaranty Trust Co., of New York, New York, Morgan Guaranty Trust Co., of New York, Brussels, The Long-Term Credit Bank of Japan, Ltd., Singapore and LTCB Asia Ltd., Hong Kong.

THE LONG-TERM CREDIT BANK OF JAPAN LTD.
(London Branch)
Principal Paying Agent on behalf of
Tradinvest Bank and Trust Co. of Nassau Ltd.

Dated: 20th May, 1985

JAMES BEATTIE PLC
NOTICE IS HEREBY GIVEN that the Transfer Books relating to the Ordinary Shares and "A" Ordinary (Restricted Voting) Shares of the Company will be closed from the 21st May to the 4th June 1985, both dates inclusive.
By order of the Board
S. S. TAYLOR, Secretary
71-78 Victoria Street,
Wolverhampton.

BANQUE NATIONALE DE PARIS
USD 250,000,000 Floating Rate Notes 1982 due 1989

The rate of interest applicable to the interest period from May 9th 1985 to November 12th 1985 as determined by the reference agent is 8⅛ per cent per annum, namely US$464.25 per bond of US$10,000.

SOCIETE GENERALE
French "Société Anonyme"
Capital: French Francs 1 250 000 000
Head Office: 29 boulevard Haussmann
PARIS 9e FRANCE
Commercial Register:
PARIS B 552 120 222

(i) The Ordinary General Meeting of the holders of floating rate notes 1984-1994 of U.S.$10,000 each issued by Societe Generale, held on April 22 1985, has appointed:
—as permanent representatives:
Mr Charles-Emmanuel Durand-Gasselin - 27 rue Hamelin - 75116 PARIS
Mr Pierre Font - 334, rue de Vaugirard - 75015 PARIS
—as substitute representatives:
Miss Dominique Fiquet - 7, avenue des Cèdres - 02410 Ville d'Avray
Mr François Belic - 10, square Desaix - 75015 PARIS

(ii) The Ordinary General Meeting of the holders of 14% subordinated notes 1984-1991 of U.S.$1,000 each issued by Societe Generale, held on April 22, 1985, has appointed:
—as permanent representative:
Miss Dominique Fiquet - 7, avenue des Cèdres - 92410 Ville d'Avray
—Mr François Belic - 10, square Desaix - 75015 PARIS
—as substitute representatives:
Mr Bernard Oro - 30 bis, rue Amelot - 75011 PARIS
Mr Pascal Rousseau - 64, rue Vieille du Temple - 75003 PARIS

(iii) The Ordinary General Meeting of the holders of subordinated floating rate notes 1984-1994 of U.S.$10,000 issued by Societe Generale, held on April 22, 1985, has appointed:
—as permanent representatives:
Mr Bernard Oro - 30 bis, rue Amelot - 75011 PARIS
Mr Pascal Rousseau - 64, rue Vieille du Temple - 75003 PARIS
—as substitute representatives:
Mr Charles-Emmanuel Durand-Gasselin - 27, rue Hamelin - 75116 PARIS
Mr Pierre Font - 334, rue de Vaugirard - 75015 PARIS
The Board of Directors

To Holders of
Blocker Energy International N.V.
8¼% Convertible Subordinated Guaranteed Debentures Due 1995

Notice is hereby given that a meeting (the "Meeting") of holders of 8¼% Convertible Subordinated Guaranteed Debentures Due 1995 (the "Debentures") of Blocker Energy International N.V. will be held at the offices of J. Henry Schroder Wagg & Co. Limited, Investment Division, 36 Old Jewry, London, England, 8th floor, on June 4, 1985 at 2:00 o'clock, London time (the "Meeting Date").

The Meeting has been called by J. Henry Schroder Bank & Trust Company ("Schroder"), indenture trustee (the "Trustee") for the holders of the Debentures, pursuant to and as trustee under the indenture (the "Indenture") dated as of July 1, 1980 between Blocker Energy International N.V. as issuer, Blocker Energy Corporation as guarantor and Morgan Guaranty Trust Company of New York ("Morgan") as indenture trustee. Schroder succeeded Morgan as indenture trustee on October 15, 1982.

The Debentureholders have previously been advised by publication of the existence of an Event of Default as defined in the Indenture for failure to pay interest due and owing on the Debentures. As of this date, the principal amount due and owing on the Debentures has not been accelerated.

The Meeting has been called for the following purposes:

(1) For Debentureholders to consider giving such directions to the Trustee as may be lawful and proper as to the time, method and place of exercising its powers and responsibilities in light of the aforementioned default in payment of interest.

(2) For Debentureholders to take any other action and to transact such other business as may properly come before the Meeting or any adjournment thereof.

Debentureholders who wish to attend the Meeting, whether in person or by proxy, shall submit to the Trustee at the Meeting proof of their holdings, such proof to consist of:

(i) Presentation of their Debentures; or

(ii) Presentation of a certificate from a bank or trust company which is a member of the New York Clearing House Association or a correspondent of such a member, stating the amount and (unless the bank or trust company has the Debentures on deposit with Cedel S.A. or Morgan Guaranty Trust Company of New York, Brussels Branch, as operator of the Euroclear System (the "Euroclear Operator")) the serial numbers of Debentures of the holder on deposit, along with a statement that the Debentures will not be released from deposit until after the date of the Meeting; or

(iii) Presentation of a certificate of Cedel S.A. or the Euroclear Operator that the Debentures are on deposit with either of them, and that they will advise the Trustee of any transfer of such Debentures on or prior to the date of the Meeting; and

(iv) If the holder does not appear in person at the Meeting, a proxy in a form approved by the Trustee.

Forms of proxies and certificates may be obtained from the Trustee at its Corporate Trust Department, One State Street, New York, New York 10015, Attention: Stock Transfer Window.

Debentureholders and holders of proxies shall provide at the Meeting proof of identification satisfactory to the Trustee.

Questions concerning this notice should be directed to George R. Sievers, Senior Vice President, J. Henry Schroder Bank & Trust Company, One State Street, New York, New York 10015, Tel. (212) 269-6500 or Joseph Chervin, Esq., Rosenman Colin Freund Lewis & Cohen, 575 Madison Avenue, New York, New York 10022, Tel. (212) 940-7160, counsel to the Trustee.

Dated: May 6, 1985

J. HENRY SCHRODER BANK & TRUST COMPANY
as successor Indenture Trustee

THE ARTS

Cinema/Paul Taylor

Another day, another alien

Starman directed by John Carpenter
A Love in Germany directed by Andrzej Wajda
A Funny, Dirty Little War directed by Hector Olivera
Mata Hari directed by Curtis Harington
Sheena: Queen of the Jungle directed by John Guillermin

Piotr Lysak and Hanna Schygulla

Where once American sci-fi movies (and their audiences) scanned the skies with paranoid dread, their most successful successors in the 1980s look heavenward with born-again faith in benevolent visitation. John Carpenter's recent experiences with metamorphosing alien visitors are indicative of the shift: his 1982 remake of *The Thing* as a sophisticated terror flick flopped badly; while *Starman*, another cosily close encounter between the iconographies of sci-fi and religion, marketable as a sort of adult ET, has already nudged the mega-profit standard Stateside.

Carpenter's mercurially manipulative story-telling skills and the admirable efforts of a first-rate cast (especially Karen Allen and Jeff Bridges) count for a lot, of course. But it is as an exercise in messianic wish-fulfilment on a Spielbergian scale that *Starman* is most accurately targetted at the present U.S. taste for fundamentalist fictions; however wry some of its observations on the Umpteenth Coming.

Musical cues fix the film's trajectory from the start. The Voyager II space probe, laden with RSVP greetings to other worlds, incongruously pumps out Earth's lyrical plaint to the universe: "I Can't Get No Satisfaction." Down in rural Wisconsin, meanwhile, the recently widowed Allen re-runs home-movie memories of her late husband (Bridges) duetting with her on "All I Have To Do Is Dream." We are clearly not a million sentiments away from Spielberg's open-sesame to wonderment, "When You Wish Upon A Star."

The intelligent extra-terrestrial response to the Voyager invitation receives a predictable welcome to our planet (a missile attack on the incoming spacecraft); but the off-course alien emissary who falls to earth in Wisconsin, and rapidly clones himself into a replica of Bridges, initially induces only a Lord's Prayer of fearful amazement from Allen.

Introductions and explanations are awkward, to say the least, but it soon transpires that the Starman has a mere three days to traverse the 2,000-odd miles to a mother-ship rendezvous in Arizona. And Allen's aid, given willingly or not, is essential. The ensuing cross-country odyssey-cum-chase thus starts with a kidnap and ends, perhaps unsurprisingly, with a kiss. En route, there's encouragement aplenty for inspirational speculations (albeit along the resistible lines of those once *peddled* by Erich von Daniken in hippie-fodder like *Chariots of the Gods*); but, thankfully, also enough genuine cinematic uplift to make the trip worthwhile. As Carpenter deftly juggles tension, comedy, special effects and romance with engaging wit, his stars respond magnificently.

As the Starman, Bridges has to convey not only a positively deific "humanity" but also an hilariously uphill struggle to master by mimicry the rudimentary niceties of looking and sounding merely human. The actor, as well as the character, does work miracles. For her part, Allen registers with remarkable subtlety a gradual coming-to-terms with both her own and the Starman's disorienting plights, and even, eventually, with the disconcerting promise of a Starchild-to-be.

*

With the timing of its belated release allowing it to be received here as something of a critical postscript to Heimat, Andrzej Wajda's 1983 French/German co-production, *A Love In Germany*, follows both its nominal source in Rolf Hochhuth's novel and the example of the director's own *Man of Marble* in posing the representation of History as almost insolubly problematic.

The retrospect here is on Nazism: on the mechanics of its operation within a small south German village in 1941, and on its memory traces in that same village now; on what was repressed by Hitlerian statute in 1941 and what is now repressed by accretions of guilt, of a willed forgetfulness.

The focus narrows onto a single documented incident for detailed reconstruction: the progress and fate of a forbidden love affair between a Polish prisoner-labourer (Piotr Lysak) and a German greengrocer's wife (Hanna Schygulla), whose husband is away on army service. Revealed in the process is the whole chillingly absurdist apparatus of the Nazi race laws, and the day-to-day tyranny of an insane bureaucracy over a mutely complicit constituency. Additionally, the search encompasses the traumas of family history—the questioning narrator disturbing the complacency of surviving witnesses to the wartime story is the now-mature son of the Schygulla character, last seen in the body of the film as a seven-year-old innocently licking a swastika-decorated iced lolly.

Yet, for all the minutiae uncovered as telling testimony to the psychology and psychopathology of Nazism, there's a nagging feeling that Wajda is not particularly suited to wielding his camera as if it were a microscope. The sheer accumulation of contextual detail overwhelms and diminishes the narrative of *amour fou* at the film's centre; and the feeling remains that Hochhuth's more expansively complex literary format actually better serves both concerns.

*

A more actively provocative rendering of political history is hammered home by the Argentinian oddity, *A Funny, Dirty Little War*. Hector Olivera's scrutiny of the Peronist prelude to his country's militarist nightmare is achieved as joltingly jaunty black farce, with small-town civil strife played out as a virtual music-hall microcosm of the violent factionalism that attended Peron's last brief tenure of the presidency in 1973-74.

Sinister rightists charge a veteran municipal administrator with Bolshevism, and besiege him and a ramshackle collection of eccentric cohorts in the town hall. Bullets, blood, slogans and airborne excrement fly across the barricades with largely bewildering satirical intent—and curiously uninvolving effect—and the rapid encroachment of a regime of torture and terror barely seems to disturb the film's determinedly cheery surface.

The specific ironies of the kinetic comic-book styling may well be susceptible to specialist decoding; but if haplessly viewed as any sort of generalised *reductio ad absurdum* of Latin politics, the film juggles *dangerously* with some decidedly un-progressive "banana republic" stereotypes and cliches.

*

Left vying for the turkey-of-the-week spot, though, are the tacky Golan Globus production of *Mata Hari* and the camped-up nonsense of *Sheena: Queen of the Jungle*. The former is a formulaic soft-core tease that could equally well be sexploited as *Emmanuelle II Meets World War I*, with Sylvia Kristel fleshing out the limp and ludicrous fantasies of erotic espionage. The latter features Tanya Roberts as a blonde vine-swinger in Africa, riding her zebra through a farrago of routine genocidal intrigues and eventually learning from Ted Wass's American sports reporter why men and women put their mouths together just so.

The Comeback/Guildford

Martin Hoyle

The new musical at the Yvonne Arnaud Theatre, Guildford, is a co-production with the Theatre Royal Plymouth. As bright, clean and professionally packaged as a TV dinner, it is the work of the four Heather brothers, has some lively songs, one excellent leading role and a certain predictability.

American kook Samantha moves in with single parent Alan and his daughter Jodie. One can almost see the television sit-com. Alan's gammy leg terminated his dancing career; but he slaves away at writing a musical. Inspired by Sam he finds success, snaps at Jodie, loses Sam but tracks her back to New York.

The familiar tale, complete with bitchy American star, is put over with some catchy brisk numbers which grow slightly monotonous when soulful or melancholy. The moving force of Roger Redfarn's production is Gemma Craven who gurgles, growls and grimaces and whose kooky is perky and wacky, sometimes icky but never yucky — except when doing a baggy pants dance routine with the moppet. Miss Craven belts out a song called "Razzamatazz" and another of unrepeatable abuse with all stops out, evidently warming up vocally for *The Beggar's Opera* snippets in the forthcoming National Theatre production of Ayckbourn's *Chorus of Disapproval*.

Richard Barnes has a mournful appeal as Alan; and the infant Emma Watt is mercifully too young to appreciate the awfulness of the matchmaking moppet.

The fashionably invisible band adds to the impression that this is a TV film, and if the show oozes cuteness it seems very much to the taste of the audience. The cheerful party of 50 Dutch ladies around me loved it.

Theatre in New York

Frank Lipsius

In one of the most suspenseful events all season, the League of American Theatres and Producers did not embarrass Broadway by cancelling the musical Tony category altogether; but the nominators could not find enough competitors to make a race for three significant musical subcategories—choreography, and leading actor and actress.

The implied rebuke casts a pall over the awards, the upcoming ceremony, and the season; but the eliminated categories reflect censure less of the musical itself than of the year's productions. Certainly, it has not been a stellar season in any category; but it would be a grave disservice to dismiss it without noting that the music, for once, has been superior to the productions in which it has been put.

Most notably, country songwriter and singer Roger Miller's score for *Big River*, an otherwise bland version of *Huckleberry Finn*, compares with the rest of the production the way his *King of the Road* stands out among pop hits. None of the songs imitate the original hit, but they share its bouncy tunes, conversational lyrics and clever subjects. *Arkansas* sounds like an old one-stanza refrain while Jim gets to sing a robust spiritual, *Free at Last*, and Tom provides an odd but well expressed encomium, *Hand for the Hog*.

The show is defeated by a huge backdrop with the Mississippi on it that would look nice on the wall of a ribs restaurant but does nothing for this production except demand faster service.

Director Des McAnuff ran New York's Chelsea Theatre for 10 years before moving to the LaJolla Playhouse in San Diego, where *Big River* began its tiresome journey. Innovative productions like *Gimme Shelter* have nothing in common with the two figures huddled in the middle of this stage staring at the audience while pulling a pole alongside to indicate motion.

Daniel H. Jenkins plays Huck as wide-eyed and naive by planting his feet on stage and projecting his pleasant voice like a concert. Ron Richardson is a robust and endearing Jim with a strong voice and gentle manner; but he, too, seems overwhelmed by the audience, not the journey.

There is no surprise in the great music of *Leader of the Pack*, since the show is based on the 1960s' pop tunes of Ellie Greenwich, who collaborated with Phil Spector and Jeff Barry to produce such classics of their time as *Be My Baby*, *And Then He Kissed Me*, *Chapel of Love*, *Da Doo Ron Ron* and the title song.

The score includes another dozen songs that have some familiarity a good beat, and evocative singing from Darlene Love and Annie Golden. The problem seems to be Miss Greenwich, who started doing this as a solo show integrating her life story with her tunes. Despite a grandiose Broadway production with lots of singers, hip swingers and supporting cast, Miss Greenwich is still stuck in the middle of everything. Probably the most central figure Phil Spector, who actually produced most of the songs as hit records, is not even named in the show. Instead, the role of producer is played by a fast-talking sleeze called Gus Sharkey (Dennis Bailey), who seems destined only to annoy Miss Greenwich.

The appearance of the real Ellie is a mistake, since the show makes her out to be the victim of the men round her while she comes across as a finger-wagging, unpleasant middle-ager living off her own youth. With uninspired choreography and a set out of a 1950s' nightclub, the worst that can be said about the show is that the star's insufferable intrusion is only a minor flaw in director Michael Peters's contribution to the season's waste of some terrific melodies.

The Emperor of Atlantis

Rodney Milnes

Of all the artefacts of the second world war, Viktor Ullmann's one-act opera is one of the strangest, most disturbing, and ultimately most moving. Written in and for the "model" transit concentration camp of Theresienstadt, in 1944, it was never performed there: even authorities with as little imagination as those running the camp understood the message in rehearsal, and forbad the première of the work they had encouraged as a symbol of "normality." Both Ullmann and his librettist, Peter Kien, subsequently perished at Auschwitz.

The survival of the autograph which is on show at the Imperial War Museum for this revival as part of the VE celebrations, its surfacing in London, and the belated première in Amsterdam 30 years after victory in Europe are a far more potent symbol of the unquenchability of the human spirit. The qualities of this near-surrealist work about the abdication of Death in the face of total war, and his return on condition that the absolute ruler who unleashed that war is the first — voluntarily — to die, though very real, pale beside the circumstances both in which it was written and those whenever it is performed.

The Morley College staging at the Imperial War Museum, by far the most accomplished I have seen, is being given three performances as part of the Museum's VE Festival. The powerful designs by Annie Smart set the action in a camp; the inmates almost unwillingly take part in the performance of the opera announced over loudspeakers; at the end, they slowly left through the one door, definitely "in transit." There followed a long, long silence before anyone had the courage to applaud.

The score, written in set numbers and with mime interludes, is not easy to conduct or direct, but Michael Graubart, in charge of the Morley Musica Viva Ensemble, and the producer Nicholas Till successfully welded the fragments into a coherent whole. The cast was faultless: John Rath the saturnine, truculent Death; Stuart Harling appropriately neurotic as the Emperor and Maria Jagusz implacable as the masked, Nazi Youth Drummer; Jill Washington and Charles Daniel infinitely moving as the Girl and the Soldier; Christopher Gillett a bleakly questioning Pierrot, and Jiri Hanek giving the Loudspeaker a personality of its own.

Gallagher sponsorship in Northern Ireland

Gallagher is to sponsor Scottish Ballet's visit to Belfast with its new production of *Carmen*, following its première at the Edinburgh Festival in August.

The company is also sponsoring its sixth annual series of concerts with the Ulster Orchestra. These will start in October with the première of a new work by the composer-in-residence at Queens University, Piers Hellawell, specially commissioned by the Ulster Orchestra for European Music Year.

St. Louis Symphony Orchestra

Paul Driver

The American Festival—a month-long presentation sited in London, Cardiff and Glasgow of cultural produce from the United States, and deemed grand enough for those three words to suffice as title—opened on Wednesday with a concert at the Royal Festival Hall given by the Saint Louis Symphony Orchestra under its music director Leonard Slatkin, with soloist Isaac Stern. Speeches were made before the music started; VE Day fireworks were dimly audible towards the programme's end, and visibly to those who hastened out afterwards.

It was a conservative enough programme—Dvorak's G major symphony, Mendelssohn's Violin Concerto, and as token Americana the now bustling, now introspective inventions of Leonard Bernstein's *Facsimile* ballet music. We heard the version, or "choreographic essay," which the composer made for concert use; the Ravelian allusion (*La Valse* was a "choreographic poem") is strengthened by some concertante piano writing reminiscent of the slow movement of Ravel's G major concerto; though the action of the ballet (a woman and two flirting on a beach) rather recalls that of Debussy's *Jeux*.

There is room for everybody in a Bernstein score: plenty of echoes of and cribs from Copland and Stravinsky here too. Bernstein never hides his influences—their very obviousness, plus his personal zest and brilliance, are what makes his music special. The orchestra couldn't have picked a better display-piece, and it coruscated.

It is very much the powerfully driven, tightly disciplined, flashily good American orchestra, and in Slatkin it has a director who will strive to make it tighter and flashier yet. His meticulous baton and excessively eloquent left hand, as well as his fiercely transmitted sense of rhythm and platform histrionics (he has Bernstein's habit of periodically jumping up) fit him for ideal performances of *Facsimile* while they leave him unsuited to aspects of Mendelssohn and Dvorak. Stern's over-forceful (if eventually persuasive) way with the concerto coincided with Slatkin's own approach, to give us a highly pressurised reading in which the sounds were sometimes grating and ugly.

The symphony also suffered from too firm a hand and too uncomplicated a mind.

Compass Theatre on tour

Jane Lapotaire will play Joan in Shaw's *Saint Joan*, and Anthony Quayle will play Prospero in *The Tempest* in Compass Theatre Company's national tour of both productions. It starts this September with a three-week engagement of *Saint Joan* at the Theatre Royal, York.

The Tempest will open at the Theatre Royal, Bath on September 30, and the two productions will tour together until mid-December, taking in Brighton, Newcastle, Manchester, Leeds, Glasgow and Aberdeen.

The Prudential Assurance has increased its sponsorship to £25,000, and Rank Xerox is providing an overdraft facility.

New production at Riverside

Alan Bates and Frances de la Tour lead the cast in Strindberg's *Dance of Death* in a new translation by Ted Whitehead, which will open at the Riverside on May 30 for a six-week season.

This will be the first major production at the Riverside since September. It is produced by Bill Kenwright and directed by Keith Hack.

Neverneverland/King's College

B. A. Young

Neverneverland, at the useful but not easily accesible new theatre of King's College in the Strand, initiates the American Festival, whatever that is, but not very effectively.

Written and directed by Gary Robertson, it is a two-handed psychological thriller in which it is hard to understand what is happening, or why. Brian and Sheena (Peter Tate and Naomi Sorkin) are in some area of an American dinner-theatre that is not made clear in Matthew Rice's design. It suggests two dressing-rooms knocked into one, but is backed with a balcony and a gothic facade. The time, says the programme mysteriously, is 3 pm.

Sheena is obsessed with press stories of the child murders committed by a criminal known as "The Sandman." The Sandman leaves a doll with his girl victims, a ball with the boys, and it soon transpires that Brian has one of each. Sheena doesn't reach the immediate conclusion, for there are other things on her mind. When she was young, she burned her doll, Belinda, which she regarded as her best friend. Brian, guilty or not of the murders, is also obsessed with a youthful experience when he saw a gang of teenagers kicking someone, not to death, but most of the way.

The two of them discuss these matters and other things that more or less arise from them. At one point, Sheena reveals that she is wearing ballet tights under her clothes (Miss Sorkin is primarily a dancer), and the two of them go into a pas de deux. Or they fence with foils. Only in the last of the three acts does Brian make any murderous gesture. He ties Sheena hand and foot with string and gets as far as holding her own switchblade to her throat, though not beyond. As he has given his own account of how he himself found and killed the Sandman, murder seems to be altogether too widely spread on the dramatic pattern, and perhaps that's what stops him.

The evening is spent in a near-hysterical mood, with a lot of near-balletic movement and shouting delivery. I thought it unconvincing.

WNO completes the Ring Cycle

Welsh National Opera is mounting five new productions in 1985-86, including *Gotterdammerung* in September which will complete the WNO's Ring Cycle. Anne Evans will play Brunnhilde and Jeffrey Lawton Siegfried in Jarvefelt's production to Oberle's designs.

In November a new *Cosi Fan Tutte* opens, the first British production of Liviu Ciulei, and in February Peter Stein's *Otello*. Then comes a coproduction with Vancouver Opera and Opera North of *The Barber of Seville*, produced by Giles Havergal, and the season is completed by *Wozzeck* also staged by Ciulei. Revivals include *I puritani*, *Madam Butterfly* and *Rigoletto*.

Saleroom/Antony Thorncroft

Verdi calls the tune

The interest in musical manuscripts and letters was confirmed at Sotheby's yesterday when the largest collection of musical memorabilia ever offered at auction realised £597,146, with only 3.18 per cent unsold.

The top price, £77,000, was paid for the libretto of Verdi's opera *Ernani* in the composer's own hand. Piave actually wrote the lyrics but Verdi liked to copy them out, and change them, while working on the music.

The lots relating to Beethoven did very well. A letter to Antonie Brentano, now generally recognised as his "immortal beloved," and including a portrait of the composer, doubled its forecast at £55,000.

A letter by Beethoven, written in English by his amanuensis to his British publisher, Robert Birchall, was bought for £33,000 by the Tunbridge Wells dealer, MacNutt, who also paid £13,200 for a fragment of music in the composer's own hand, hitherto unrecorded, which contains ideas for several works, including the overture to "Leonore." Two portraits of the Brentano family were bought by Otto Haas for £8,800.

A collection of first and early editions of lute music by John Dowland and other Jacobean composers went to MacNutt for £45,100, while a collection of 56 autograph letters by Rossini made £34,100.

Autograph manuscripts by Kurt Weill are rarely offered at auction and an early song cycle, composed when he was just 15, comfortably beat its estimate when selling for £20,900 to MacNutt. It is a setting of poems by the mediaeval Hebrew poet Jelida Halevi.

A record price for a Verdi letter of £7,700 was paid for one he wrote to Piave about *Rigoletto*, which in those early days was called *Triboletto*; while a letter from Freud asking for his fee for treating Mahler made £6,820, to MacNutt. Freud diagnosed that Mahler suffered from a Holy Mary (mother fixation) complex, but before he could start treatment the composer died. A typed receipt, signed by Freud, acknowledging the arrival of the payment of 300 crowns, sold for £3,850.

A snatch of *Gotterdammerung* in the hand of Wagner's amanuensis, fetched £8,250, while some early Wagnerian musical sketches found a buyer at £12,100.

Also at Sotheby's, the Black Rod of Ireland, dated 1751, was bought for £13,750 by the Ulster Museum. It had been estimated at £2,000-£3,000.

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Reciprocity in world banking

FOR A number of years the large Japanese broking houses, Nomura, Yamaichi, Daiwa and Nikko, have been pressing the UK authorities to grant them banking licences so that they can expand the range of their activities in London. With equal persistence, the Bank of England has turned them down on the grounds that they are not banks.

The matter was raised again at this week's UK-Japanese talks at the Treasury by officials from the Ministry of Finance, an indication that Tokyo believes this to be a matter of governmental importance. The talks were inconclusive but will almost certainly be resumed in the coming months.

The Bank of England may be taking a stand on principle but this long-rumbling issue is not as clear-cut as it looks. It presents the British side with an awkward dilemma and raises questios which are becoming increasingly topical with the growth of trade in financial services and the breakdown of barriers between financial markets.

The Bank's position is that foreign instituitons wishing to trade as banks in the UK must be constituted and supervised as banks in their home countries to ensure that there is proper prudential control—and to give the Bank an appropriate point of contact in the other country.

As concerns the Japanese, there are two additional considerations, though neither should necessary influence the Bank over this matter. One is the view, held by some in the City, that there is no convincing reason on purely business grounds why the broking houses should be granted banking licences, other than to allow them to fund their fast-growing securities operations more cheaply in the banking markets. Another is the concern of the City that the Japanese are about to sweep through the world of financial services business in the same way that they have in the car, steel and consumer electronics industries, and that they should therefore be granted no special concessions.

The Japanese Ministry of Finance, which is responsible for both banks and securities houses, has tried to meet the Bank's concerns by proposing to place part of the operations of Nomura and the others under the supervision of its *Banking Bureau*, a rather facile solution which has not found favour in Threadneedle Street.

However, the Bank has other considerations. Its principles have already been undermined in two respects. Large U.S. brokerage houses such as Merrill Lynch and Goldman Sachs have been granted banking licences in London by virtue of the fact that they opened what amount to little more than brass plate banking operations in New York which fall within the purview of U.S. bank supervisors. The Dutch have also granted Nomura a banking licence which has enabled it to establish a European banking operation under the name of Nomura Europe NV.

Furthermore, the Bank is under pressure from UK banks to exploit the situation to wrest reciprocal concessions from the Japanese that would give them greater access to Tokyo financial markets.

Horse-trading

Although Japan, like the U.S., creates a legal distinction between commercial banking and the securities business which means that Barclays Bank, for example, could not run a stockbroking branch in Tokyo, there are grounds for believing that the situation is more flexible than the Japanese maintain. Last year, Citicorp was allowed to establish both a banking and broking operation in Japan, largely because of the political pressure that was brought to bear by Washington. And financial services are no exception when it comes to the invisible trade barriers for which Japan is notorious: the 60 largest banks in the world have been able to win only 3 per cent of the local market. The Japanese banks alone have several times that share of the UK market.

The Bank of England *is* refusing to stoop to horse-trading to obtain advantages for UK banks, but reassuring though this principled stand may be, this is a contest that will—in the end—require a practical solution that matches the increased liberalisation and integration of the financial markets where, among other things, the distinction between bankers and brokers is becoming blurred. The foreign banks' complaints about unfair treatment in Japan are also justified.

In the British case, the Japanese are in the rather unusual position — in trade matters—of being the pleaders. Once the question of prudential supervision of the securities houses has been answered satisfactorily, the Bank should ensure that *it makes the most* of this opportunity to obtain reciprocal advantages in Japan. This is a matter in which the Japanese Government clearly takes a close interest and appears to be in a mood to deal.

Europe's hi-tech challenge

EUROPE'S alleged backwardness in modern technologies is once more a matter of heated debate. President Reagan's invitation to join in the research required for his Strategic Defence Initiative is seen by some as a great opportunity for Europe, by others as a U.S. device to exploit European expertise for its own benefit. President Francois Mitterrand's rival proposal for the Europeans to go ahead on their own with his ambitious Eureka scheme for a European Research Co-ordination Agency has been received sceptically, not least by the UK.

Light is shed, at least indirectly, on some of these issues by a helpful report from the House of Lords Select Committee on the European Communities dealing with Esprit, the European Strategic Programme for Research and Development in Information Technology. Esprit is a modestly funded Community programme to support research and development projects involving companies, universities and other research agencies from at least two Community states.

The Lords' committee makes a number of observations and recommendations. Its advice that progress on high technology within the Community will require the establishment of a genuinely-free internal market may no longer be especially controversial but is fundamental.

The need for open competition throughout the EEC is relevant to the committee's recommendation that the collaborative impetus of Esprit should extend beyond the pre-competitive stage into the areas of product developemnt and manufacture. It is certainly true that economies of scale in these areas are important — more so than in the pre-competitive research which is Esprit's focus of attention. But collaboration in development and manufacture must be based on the commercial self-interest of the companies concerned, not on guidance from governments. Moreover competition authorities must guard against the possibility that collaboration and specialisation may degenerate into cartel. The best way of preventing this is to open up contracts to free competition from EEC and non-EEC suppliers.

In any case the mere pooling of resources in collaborative projects is no guarantee of success. What matters is that the products which emerge match the best international standards in terms of costs and quality.

One of the constructive aspects of the programme is that it brings together industry and the universities. European academics have often been suspicious of the world of industry and commerce. But it would not be wise to swing too far in the other direction. The preservation of academic freedom of research is essential, provided it is not merely the freedom to inhabit ivory towers. Moreover, Europe does have facilities for pure research that measure up to the competition from America and Japan. Governments should not allow this search for economies in public spending to damage this valuable asset.

Neither Esprit nor Eureka will, on their own, catapult Europe into the brave new world of high technology. As with any government-funded scheme, it is always difficult to ensure that taxpayers' money is not being used to help companies to do what they would have done anyway with their own money.

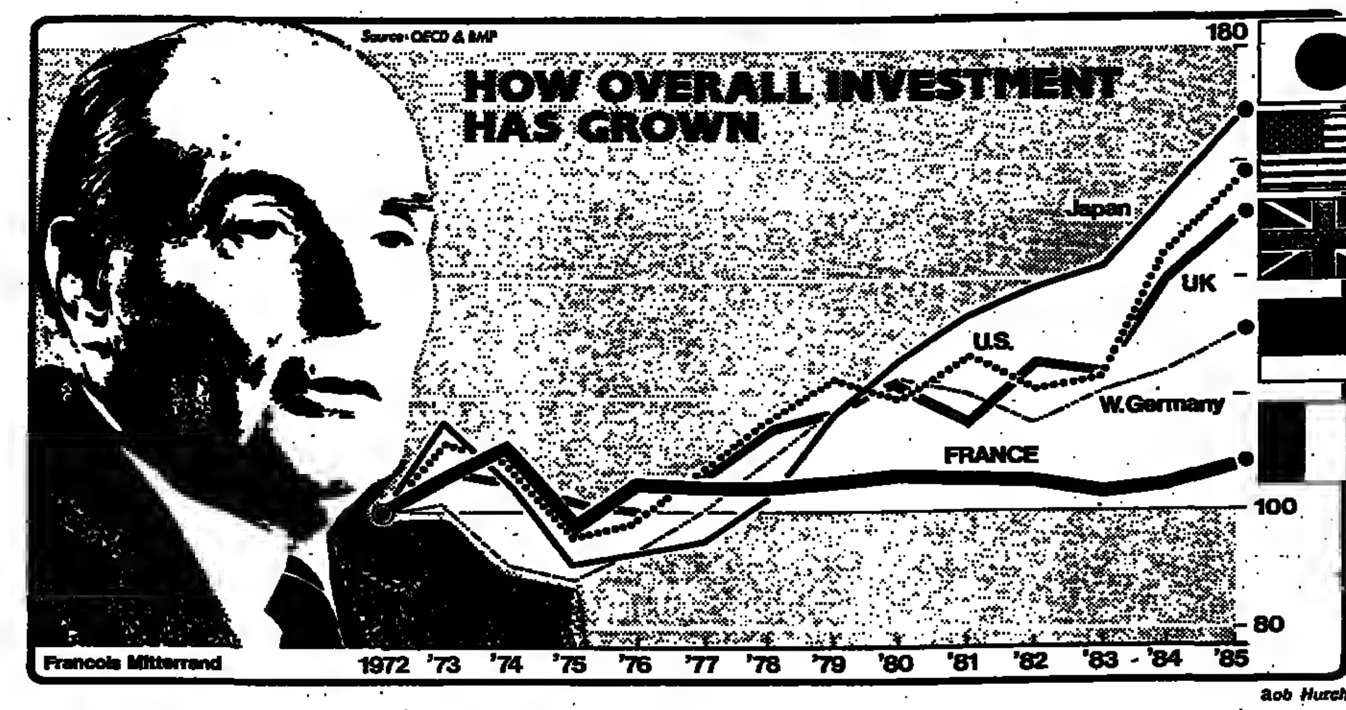
The habit of collaboration may help to break down the attitudes which have led, say, British companies to look for partners in the U.S. rather than on the Continent. But in the end Europe's technological lag will not be overcome by government funding and direction but by entrepreneurs determined to achieve world market leadership. What governments and the EEC can do is to create an environment in which they are likely to flourish.

FOUR YEARS OF MITTERRAND

"WE ARE witnessing a fundamental renewal of the capitalist spirit in France"—Dominique Nouvellet, chief executive of Siparex, the Lyon-based investment fund.

"I detect a revolution in attitudes (towards industry) and a consensus on the need for it to adapt. This change is very clear among the workforce . . . among our smaller and medium sized companies a new business culture is taking root"—M Didier Pineau-Valencienne, president of the Schneider group and former president of Creusot-Loire.

"There is a significant shift in opinion in favour of private enterprise and a more market-oriented economy"—Jean-Louis Descours, president of Chaussures André.



Bob Hutchison

France's private sector picks itself up

By David Housego in Paris

THERE are the first signs of a new mood of confidence within the French private sector, as reflected in these comments from businessmen with a broad experience of French industry.

The change in the business climate is apparent in a number of ways. Profits are once again improving because wage costs are being held down, companies are increasingly shifting their focus from domestic sales to competing world-wide; the Paris Bourse has been booming, encouraging a rush of smaller companies to strengthen their equity base through listings on the secondary market; unions are being more flexible on work practices, the organisation of working hours and plant level salary negotiations.

The Government has made it easier for industry to reduce its workforce: it is also encouraging foreign investment which has often in France been equated with foreign domination.

The paradox is that these changes are taking place under a Socialist administration which today celebrates the fourth anniversary of President Mitterrand's taking office — and one which has carried through the largest nationalisation of French industry and the bank system, since the war.

It is this shift in attitudes that leads M Descours, a senior figure in the private sector establishment, to state that he "is very optimistic about French industry" on a five to 10-year horizon." But he also warns of difficult years ahead because of a combination of past errors, inadequate investment and a loss of competitiveness.

French industry is conscious that after its aggressive expansion in the 1950s and 1960s it has been slower than its international competitors to adjust to the slowdown in economic activity in the 1970s and 1980s. Its rapid growth was built on a higher level of borrowings, lower equity and smaller profit to turnover ratios than its West German or Anglo-Saxon rivals. It was made possible by the French system of close ties between industry, the banks and the State — which acted as both client to industry and nursemaid. Moreover, the expansion was unevenly spread and, with hindsight, too concentrated in a few sectors.

But it was a system that backfired at a time of recession and disinflation. French companies had to face sagging sales with a higher level of indebtedness and higher financial charges than their international rivals. They were less able to cut capacity of their workforce. Increasingly, they suffered higher taxes and social security charges because governments sought to protect household living standards by levies on the corporate sector. The French employers' association calculates that the corporate sector contributes 17 per cent of GNP in taxes and social security charges—twice the level of Germany or Britain.

Thus behind all the major business crises of recent years —Creusot-Loire, the heavy engineering concern, Poclain the excavator group and Amrep, the oil services company— there has been a story of headlong growth, under-capitalisation and postponements in capacity reduction.

The largest French groups are small by European standards

To these factors M Alain Chevalier, the head of Moet-Hennessy, the champagne and cosmetics group, adds the competitive disadvantage that French companies have suffered through price and exchange controls.

The overall result has been that French industry has been investing less than most of its competitors (see chart). Its share of world export markets has been falling of late, while import penetration into France has been growing.

The private sector has been much reduced in size by the nationalisations of 1981-82 which doubled the size of the state industrial sector. Private companies now account for about two-thirds of manufacturing output, but only half the output of companies which employ more than 2,000 people.

Removed from private control are not only the traditional industries like steel, coal and basic chemicals but also high technology areas such as aeronautics, space, telecommunications, computers and professional electronics. A substantial part of the consumer electronics and automobile industry is also in state hands.

One result of this is that the largest French private groups are small by European or U.S. standards. The two giants of the French private sector, Peugeot and Michelin, were respectively in 27th and 62nd place in last year's FT list of the leading 500 companies in Europe on the basis of turnover, with total sales of $10.2bn and $4.9bn (1983 figures). In terms of market capitalisation, L'Oreal, the cosmetics group, emerged as the largest French company in 72nd place ($1.3bn) followed by BSN, the food and drinks group, in 84th place ($1bn).

In international competitive terms, French industry is already suffering from this absence of large-scale private firms. France is no longer part of that restricted club of large privately owned multinationals who strike alliances with each other across the globe.

"You cannot negotiate strategic alliances," says M Jean Gandois, the chairman of Rhone-Poulenc, the chemicals group, "unless you are of sufficient size or you have a major innovation to offer." He recalls that while Rhone-Poulenc was still in private hands he was negotiating tie-ups with ICI of Britain and Bayer of West Germany, as well as joint ventures in the U.S. These negotiations have since been abandoned.

Nationalisation — which the Socialists saw as remedying the inadequate investment levels of French industry—also had the effect of making it more inward-looking. Major international groups are very wary of strategic alliances with nationalised concerns, says M Gandois. Olivetti's decision to pull out of its minority stake in Saint Gobain after nationalisation is a case in point.

In the private sector, the most profitable French companies — those which have most successfully weathered the recession—tend to be medium-sized. Most of them were formed after the war, and are run by men who do not form part of France's ENA (Ecole Nationale d'Administration) elite.

These companies have kept a tight control on their balance sheets and have, above all, based their management strategy on pushing for increased market share worldwide. This global approach is now taking over French industry's traditional preoccupation with domestic sales to the point that M Nouvellet says that his institution "will not invest in a company if it cannot show that its product is strong in world markets."

Among the companies to have most successfully pioneered this strategy is Lafarge, the cement manufacturer, which is now the market leader for cement in the U.S. after its purchase of General Portland.

M Olivier Lecerf, its chairman, is now competing as well for a substantial worldwide stake in the fast-growing biotechnology sector—through his purchase of Orsan, a world leader in monosodium glutamate and more recently through increasing his holding in the French company Claeys-Luck, the number three among world seed firms.

M Alan Chevalier, who has similarly pushed up Moet-Hennessy's profits by increasing its worldwide share of champagne and brandy sales, is now following this up with an aggressive assault on the cosmetics market. Already market leader in France in the more expensive cosmetics products through its Christian Dior subsidiary, the company's launching a costly campaign to increase U.S. share.

A striking feature of the French companies that have succeeded is that many of them are in the food or services sectors—like BSN which under Antoine Riboud transformed itself from a glass manufacturer into a worldwide milk and dried products group; Generale Biscuit, which Claude-Noel Martin has built up as Europe's largest biscuit producers with a strong foothold in the U.S. market; Club Mediterrannee and Accor, the leisure and hotel groups; and Carrefour and Promodes, the supermarket chains with strong representation in the U.S.

Company profits are at their highest level in a decade

In high technology areas French companies have won a strong position in the computer software market and in equipment supply for the arms, aeronautics and space industries —in the latter case benefiting from orders from French state-owned companies. But with notable exceptions like Cap Gemini Sogeti, the software group and Intertechnique, the manufacturer of aircraft equipment and computers, their balance sheets are often vulnerable.

The weakness in France's traditional manufacturing sector had begun to appear even before the recent recession. French companies were slower than their major European competitors to regroup and consolidate. It was only in the late 1960s and early 1970s that the major French groups (now nationalised) such as Saint-Gobain, Rhone-Poulenc and Pechiney were put together.

The French were also slower than the West Germans or British to appreciate the importance of buying subsidiaries in the U.S. to give them access to the world's largest market. They "did not have sufficient funds," says M. Martin of Generale Biscuit.

But a good many raids by French companies into the U.S. have run into difficulties—as did Renault's purchase of AMC, Elf Aquitaine's takeover of Texas Gulf, or the costly bid by Moulinex, the kitchen equipment manufacturer, to increase US market share.

Since the recession, the shake-out has been severe in such sectors as textiles, heavy engineering, building and international contracting. In the heavy engineering sector, Alsthom—Atlantique and Fives Lille are among the few international French firms to survive. Fives Lille, which was a candidate to take over Creusot-Loire survived by cutting its workforce from 20,000 in 1960 to about 4,000 now.

Bouygues is almost the only French building and international civil engineering group to remain unscathed—and is now embarking on a difficult new future in the petroleum and services industries.

Among the sectors where nationalisation still has a long way to go are the automobile and shipbuilding industries. A government official dealing with "sick" industries believes that of France's 2,000 car component makers, half will disappear over the next five years. "It is our growth industry," he says ironically.

The most encouraging sign of a renewed vigour within the private sector has been the recovery of profits. The slowdown in wage costs, coupled with an increase in production due to exports, meant that overall company profits last year (excluding financial charges and tax) reached their highest level in a decade. Companies' anxiety to reduce their borrowings and strengthen their balance sheets has so far inhibited any substantial investment recovery.

The growth in company profits has gone in hand with the boom on the Bourse and the flurry of new companies seeking an introduction on the secondary market. Many of them are family-owned companies seeking to resolve succession problems while strengthening their equity base.

For the first time venture capital institutions have sprung up in France, with about FFr 1bn of funds now at their disposal. Another important sign of change is a substantial new inflow of foreign investment. Among the new ventures is a FFr 2.5bn project by Atlantic Richfield of the U.S. to build a new chemical facility at Marseilles to produce an additive for lead-free petrol.

The next few years are likely to remain difficult. Domestic demand will remain flat for some time. If the Right comes to power next year, the process of nationalisation will be slowly reversed and new policies— particularly over prices and exchange controls—will lead to fresh upheavals. Yet over the medium term there is increasing evidence that M Descours' optimism may be well-founded.

Men and Matters

Jake's million dollar drive

Called the United States yesterday for a chat with the man who contributed $24m to Britain's balance of payments last year —and promises to do even better for us this year.

Jake Weidenger jnr, aged 44, is no corporate chieftain. He is a car salesman.

The family company he runs is selling 800 new Jaguar cars a year from its showroom in Hempstead, Long Island, just an hour's drive from New York.

That is more than Jaguar's combined sales in Holland and Belgium.

Weidenger's father—still involved in the business in his 80s —founded the Hempstead Auto company in 1938 when he signed a franchise with Jaguar's creator, Sir William Lyons.

The family have stuck with the company ever since—and through some lean years in the mid-1970s.

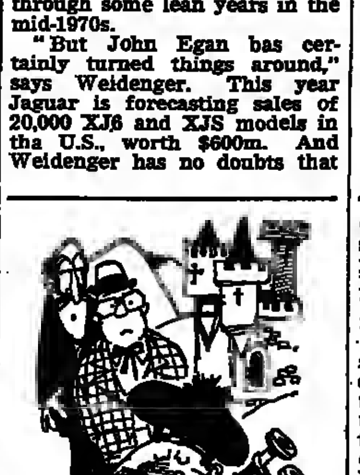
"But John Egan has certainly turned things around," says Weidenger. This year Jaguar is forecasting sales of 20,000 XJ6 and XJS models in the U.S., worth $600m. And Weidenger has no doubts that he will take a large slice of the business.

He will need little advertising. "All the cars we have sold in the last two or three years are our best advertising tool," he says.

Many of his customers will be trading in German cars, he predicts. "But we are taking most sales from America's very own Cadillac."

Weidenger works hard and obviously enjoys it—but still finds time to fly his own aircraft, go boating, or driving in one of his family's five Jaguars.

He claims he is not yet a millionaire. "But if I could get enough cars to double my sales, then I just might be," he adds wryly.



"It's a traditional lament—he plays it whenever the laird's rates bill arrives"

French designs

To the vast majority of Chinese, who would have to save six weeks' wages to buy a 70 yuan (£20) Mao tunic, Yves St Laurent is just another awkward-to-pronounce foreign name.

But the famed French designer has joined the caravan of Western celebrities passing through China. In the wake of the pop group Wham, a collection of his haute couture went on display this week at Peking's Palace of Fine Arts.

St Laurent did his best for fashion diplomacy by escorting the wife of Communist Party general secretary, Hu Yaobang, around the exhibits. She was shown an impressionistic wedding dress and a Spanish ensamble, with corselet bodice of moire complemented by cotton Bermude shorts.

The bespectacled and softly-spoken designer said that Madame Hu was "moved" by his creation. But St Laurent appears to be aware of the limitations on sales. He expects a "inority" of Chinese to be buyers.

"There are more important things than selling expensive clothes," St Laurent said.

Peak fitness

The Foreign Office has been rolling out one of its thicker red carpets this week for the visit to London of Edgar Teran Teran, Ecuador's foreign minister. Sir Geoffrey Howe led a throng of ministers to the Ecuadorean embassy reception on Wednesday night.

The deeply conservative government in Quito is saying things that the industrialised countries wish the rest of their Latin debtors would say—encouragement for the free market economy, cuts in government spending, and balanced budgets.

If the other Latin American countries don't swallow a big spoonful of financial orthodoxy, Teran Teran avers, they'll be in queer street.

Teran Teran took time off yesterday to show he was physically fit as well as economically nimble. He played an hour of squash in Chelsea. Back home in Quito, high in the Andes where tourists usually have difficulty catching their breath, he plays three times a week.

Sweet dreams

John Fletcher, former managing director of Asda, who parted company rather unceremoniously with the superstores chain last year, resurfaced yesterday as the new chairman and chief executive of the troubled Barker and Dobson, sweet makers.

Fletcher, aged 42, left Asda amid reports that his managerial style and strategy did not fit in with the rest of the store group's board. Since then he has been courted by a number of retailers, and has himself flirted with an idea of taking over the Cullen's grocery chain.

Barker and Dobson is in need of his aggressive talents. The company tried the classic trick this year of announcing a surprise loss of £1.5m on Budget Day—a rare moment in the calendar when financial journalists' attentions are focussed elsewhere.

Fletcher recognises that his immediate problem is to overhaul practices in the company— especially to improve its management information systems.

He says he has a number of ideas for giving Barker and Dobson new flavour. He has his eye on the 154-strong chain of small confectioners-tobacconists-newsagents which Barker and Dobson operates, for instance.

Last word

There were more chairmen and senior directors of engineering companies than you could shake a stick at in the Commons the other night. They listened attentively as Sir Francis Tombs, Rolls-Royce rebuked them mildly for their introversion and unwillingness to make their feeling known in the world outside.

Summoned to discuss a plan to set up an all-party group of MPs willing to help them make their voice heard in Parliament, they mostly had constructive and positive things to say.

Pity then, that a couple of the delegates had not taken Sir Francis's chiding to heart. "I didn't want to say anything," murmured one distinguished captain of industry on the way out. "But if I'd been Japanese, I'd have thought 'fantastic; the Brits are setting up another talking shop.'"

Observer

POLITICS TODAY

Tory twins, different language

By Malcolm Rutherford

ON TUESDAY afternoon there was a relatively rare sight in the House of Commons; Mr Peter Walker, the Energy Secretary, and Mrs Margaret Thatcher, the Prime Minister, sitting together on the Government front-bench enjoying a joke. Several jokes, actually.

To a lip-reader, it looked as if Mrs Thatcher was whispering to her deviant Minister that she had come back from the economic summit in Bonn, read his Cambridge lecture, delivered while she was away, and couldn't understand what all the fuss was about. Indeed the official word is that Mr Walker had a point: the Government ought to do more about housing policy, and probably will.

Mr Walker has his satisfactions, too. He enjoyed particularly the Prime Minister's defence of the British approach to the contract for the second Bosphorus bridge, which was lost to the Japanese.

"We give subsidies to shipbuilding — considerable subsidies," Mrs Thatcher said. "We give subsidies to steel — considerable subsidies. We give subsidies to railways — considerable subsidies. We give subsidies to coal mining—considerable subsidies. The Japanese are not the only people at it."

What the Energy Secretary relished was the apparent contradiction between the Prime Minister's praise of Japan as a competitive, free enterprise society and her criticism of the same country for outdoing the British on subventions to industry.

The ironies continued throughout the afternoon. Mrs Thatcher sat by Mr Walker's side as he outlined his plans for the privatisation of the British Gas Corporation. True, they were not quite the plans that they might have been. A question raised almost simultaneously in the House of Lords by Lord Bruce-Gardyne was never really answered.

"Am I not right in thinking," Lord Bruce-Gardyne asked, "that, at the election, the Government promised the electorate that competition would be injected into the gas industry and that this was over and above the provisions of the Oil and Gas (Enterprise) Act? What has happened about that commitment?"

It seems that the Gas Corporation is being sold off as a monopoly. Still, Mr Walker has delivered his bit. He cannot be accused of not going along with the Government's policy of privatisation.

And there were other ways in which the Energy Secretary and the Prime Minister enjoyed their private jokes. They smiled together when Mr Stanley Orme, the Labour shadow spokesman, suggested that it was all being done for the sake of the Chancellor of the Exchequer's pre-election handouts.

Both Mr Walker and Mrs Thatcher must know that Chancellor Lawson—a former Energy Secretary—would have preferred not to privatise British Gas in that way. He would have gone for promoting more competition. They know as well that the scope for pre-election hand-outs does not at present look all that large. The demands on public expenditure are still too great, although Mrs Thatcher may regret that more than Mr Walker.

Finally, the two of them united in their satisfaction, though more subtly put it was disappointment, that Labour made no threat or promise to renationalise the Corporation. Mr Walker taunted the official opposition to do that several times, and it did not rise.

So the Prime Minister and the Energy Secretary are still in the same party, and still in the same cabinet. That is the outline of the Tory's present problems.

Mrs Thatcher can't easily sack Mr Walker, partly because he has never really attacked a specific Government policy, but also because outside the Cabinet he might present more of a threat to her than inside. That does not apply to any of the other ministers previously dismissed. Mr Norman St John-Stevas, Sir Ian Gilmour and even Mr Francis Pym could not make a plausible shot at challenging her for the leadership. Mr Walker possibly could.

He won't, or at least not this year. For the Energy Secretary is trapped in his Department, and in the Cabinet. He thinks that the only way in which he could make a run for the top would be if he had earlier resigned in disagreement on a major policy issue. He has not; nor were any major policy issues on which he disagreed fundamentally. All the argument is about style, tone and presentation: a typical Tory phenomenon when the opinion polls and the local election results turn against the party.


Mr Walker: has his satisfactions

Short of being sacked, which he wouldn't mind at all—indeed would probably welcome, Mr Walker would like to be either Chancellor of the Exchequer, or party chairman.

The chances of his becoming the first are almost non-existent, as he himself acknowledges. It would imply an admission by Mrs Thatcher that he had been right and she had been wrong about the language of economic policy all along. It would be the most open admission of a U-turn so far.

Even so, Mr Walker has a good debating point if he chooses to use it. What is the Government to make of the latest money supply figures published this week showing the strongest rise in sterling M3 since July 1980 and an annual rate of increase way above the Treasury's targets?

You could say that they endorse the recent CBI findings that an investment recovery is now on song. However, the Government cannot easily say that, because it has tied itself too closely to specific monetary targets which are not being met. The figures also suggest no early reduction in interest rates. Mr Walker might say that all that illustrates the folly of monetarism: the Tory Party under Mrs Thatcher has become hooked on theory.

The odds on Mr Walker becoming party chairman are marginally, but probably only marginally, better. For one thing, he would be very good at it. He is a well-known figure in the country who knows how to get on with people. In fact, one sometimes suspects that he has rather too much in common with the Prime Minister than too little: both are populist. Yet it would still be a bit of a U-turn for Mrs Thatcher to appoint him. It would be at least a symbolic change of policy.

The favourite for the job must remain Mr Norman Tebbit, the Secretary of State for Trade and Industry, although it is striking that the three best candidates for the job are also the three most obvious candidates for the succession to the leadership: Mr Walker, Mr Tebbit and Mr Michael Heseltine, the Defence Secretary. The one who gets it will be in a very strong position if the Tories win the next general election. But the position of the chairman might be not quite so strong if the party loses.

That is the key appointment to watch, probably around the summer—before the party conference.

The present state of the party is moody, but not rebellious: perhaps apprehensive is the single most appropriate adjective. Cabinet Ministers, and ex-Cabinet Ministers, are now talking about the succession, but they seem to have come to the same conclusions as Mrs Thatcher's supporters: there is no vacancy at No 10 Downing Street.

Around this time next year it may be different, and almost certainly will be if there has been no turn around in the unemployment figures and the Tories are still doing badly in the opinion polls and the local elections. There is a marked reluctance even among Tory dissidents at present to acknowledge that the Labour Party under Mr Neil Kinnock might be recovering. They tend to think that the fact that Labour has stopped so obviously quarrelling among itself is some kind of short-term public relations pretence which the electorate will see through. They will be in for a shock if they are wrong, as I think they might be.

Even next year, however, the mechanics of how a Tory rebellion works in office will still be a problem. In opposition it is quite different. The Tories can be ruthless when they have lost an election, as Mrs Thatcher showed when she successfully challenged Mr Edward Heath against the odds. Yet, in government, they cling to the idea that it is not the done thing to challenge a leader: only the Labour Party, Tories say, descends to that.

Besides, some of the dissidents add, if ever the moment came when it was clear a year or so before a general election that the Government was going down to defeat and the party to internal divisions, a group of us would get together, take the leader gently by the arm, and bring about a change.

In practice, the Tories have never quite conformed to that ideal. What is happening now is that Mrs Thatcher's leadership is under attack, but not directly. Since it is impolitic to confront the Prime Minister head on, more criticisms are likely to be made of Chancellor Lawson.

There is an insidious story going round that the Earl of Stockton, the former Harold Macmillan, is against him on the grounds that you can't win an election with an unpopular Chancellor. You need someone, he says, like Heathcoat Amory, Macmillan's Chancellor after Thorneycroft resigned over public expenditure in 1958. Such attacks will probably continue.

Meanwhile, one suspects Mrs Thatcher will continue to trim. There is already talk of bringing the teachers back to the negotiating table by paying them more money from the contingency reserve and rather less urgency is being given to cutting spending and taxes.

The conclusion is not so much that the Cabinet is divided by disagreements over policy, but by Ministers who don't talk to each other. Mrs Thatcher and Mr Walker are not basically at odds, except that they use different language in different places.

Lombard

Two U.S. policies on sanctions

By Ian Davidson

PRESIDENT REAGAN'S decision to impose trade sanctions against Nicaragua has given rise to some pretty unkind comment. What makes it particularly strange is that his administration does not believe in the utility of economic sanctions for bringing about political change in other countries.

We know that, because the arguments against the utility of economic sanctions were laid out most cogently before the Senate Foreign Relations Committee barely a fortnight ago. Mr Chester Crocker, assistant secretary of state for African affairs, gave the senators 12 good reasons why sanctions against South Africa were unlikely to be effective and might well be counter-productive.

It hardly needs saying that South Africa is not Nicaragua. It has a Right-wing government; it is relatively large and potentially prosperous; and it is not in America's back yard. But many of Mr Crocker's arguments apply with equal force to any country, whatever their specific characteristics.

"First, as I have stated before, even the proponents of sanctions cannot demonstrate any predictable positive results from their imposition, apart from an argument that we may feel better for having done so." It is much easier to attempt the overthrow of the Nicaraguan government than to promise plausibly that a more genuinely democratic government would replace it.

"Second, sanctions are not the only way or even a good way for this country to send a signal to South Africa. They are likely to harden the foes of change rather than the proponents." If the U.S. trade embargo has any political effect, it is likely to push Nicaragua into greater dependence on Cuba and the Soviet Union.

"Seventh, we should recognise thta it is simply bad public policy to go down the road of sanctions which today may be used against South Africa but tomorrow against some other country. The sanctions which have been proposed offer serious precedential problems, for example, in relation to banking and commerce which should not be ignored." Unfortunately, that precedent has now been set.

"Ninth, whatever steps we take in relation to sanctions are not likely to be followed by South Africa's other trading partners. Sanctions are unlikely to be accepted by the international community, and it will be simply American businesses and trade which will suffer." This proposition manifestly holds true in the case of Nicaragua.

"And finally, to round out my dozen, I urge this body to recognise that sanctions are likely to lead us down the road to ineffectual action which will have no positive effect in South Africa and cause others around the world in places far removed from southern Africa to doubt the wisdom and strength of American foreign and economic policy." It is obvious that President Reagan's trade embargo against Nicaragua is a weak fall-back tactic, after Congress denied him military funding for the contra insurgents.

The trouble is that the differences between South Africa and Nicaragua, especially in the political complexions of their governments, can cloud people's judgment and obscure the general force of the Crocker arguments against sanctions.

President Reagan seeks to justify the embargo against Nicaragua by vilifying the Sandinista government as a communist dictatorship; in reality, of course, it is not that—yet. Conversely, liberals would feel much more comfortable with sanctions against a country ruled by a right wing government like that of P. W. Botha; whereas Mr Crocker emphasises the reforms that are at last being introduced by Mr Botha.

Perhaps he over-emphasises these reforms. But anyone advocating sanctions against South Africa or Nicaragua must show why they could be expected to override the internal politico-economic dynamic of the country in question. In neither case has that demonstration been plausibly made.

Letters to the Editor

Subsidising exports

From the Director General, Engineering Employers' Federation

Sir,—In your leader of May 3 you write about export subsidies. Obviously it is foolish for a country to give away or sell cheaply the fruits of its citizens' labour; but you do not discuss the larger issue, which concerns technology and its consequences for national prosperity.

Foreign subsidies are aimed not at exports in general but at particular industries, technologies and markets. If foreign governments provide bigger or better subsidies than the UK Government, then they can in effect dictate the shape of UK industry. They can force us out of their chosen fields, leaving us to compete "fairly" elsewhere.

As those chosen fields are likely to be the most promising technologies and markets for the future, it would be very foolish indeed for us to allow ourselves to be forced out, whether for reasons of principle or reasons of cost. A false economy in this decade leads us to a peasant economy in the next.

James McFarlane.
Broadway House,
Tothill Street, SW1.

A case for reform?

From the Second Permanent Secretary, Public Services, HM Treasury

Sir,—Sir Frank Cooper's article on public finance ("A case for reform?" May 8) raises important questions about what information on Government spending needs to be published for proper accountability to Parliament and the public. But there have been changes in Whitehall in recent years, which the article could have reflected. The Government nowadays publishes a very large volume of detailed information about public spending, its financing, and what departments achieve with the money.

Expenditure plans covering three years ahead are published every year in the Public Expenditure White Paper. The Financial Statement and Budget Report shows expenditure and revenue totals four years ahead. Last year's Green Paper "The Next Ten Years" (Cmnd 9189) gave summary projections into the 1990s.

The annual Public Expenditure White Paper has been much enlarged and improved, and gives a great deal of information on departmental programmes and performance—for example a breakdown into capital expenditure, operating expenditure and transfer payments on the lines Sir Frank suggests. Information on total costs of major projects is included in departmental estimates. And this year there is a new "Summary and Guide" to help readers find their way around the estimates and understand the link with the White Paper.

Thus nearly all the information Sir Frank is seeking is now published, though not all in the form he suggests (e.g. departmental reports). And he will be glad to hear that there is more improvement still to come, as the financial management initiative develops and with help from the study of departmental budgeting which Tony Wilson is leading.

Alan Bailey.
Parliament Street, SW1.

The Peasants' Revolt

From Mr G. Atkinson

Sir,—In 1377 Richard II levied a poll tax: "four pence from each layman over the age of fourteen, one shilling from beneficed clergy. In 1379 the assessors tried to grade the poll tax according to wealth but failed. Hence in 1380 the government asked for a shilling a head from all people. A peasant man and woman had to find two shillings. It cannot have been a matter of surprise to the administration when the population suddenly dropped by one-third, or so it seemed in taxation returns. Collectors in 1381 could not discover the names and whereabouts of thousands of people. Their attempts indeed partly caused the Peasants' Revolt." (Dr David Iredale: "Enjoying archives.") Later Richard was deposed and with him the House of Plantagenet.

George Atkinson.
Romeland Cottage,
3, Romeland,
St Albans, Herts.

Tampering with Serps

From Mr E. Chalker

Sir,—Michael Prowse (May 2) says that, "if the Government is to tamper with Serps (the state earnings related pension scheme) . . . it ought first to try to win all-Party support."

Might one say, as a member of the Charter Movement for a more democratic Conservative Party, that the Government ought first to involve its own Party members in a debate on the subject? To the best of my knowledge there has been no such debate within the Party and that certainly the "floating" of this proposal in the Press is the first that constituency associations have heard of it.

The Conservative Party went into the last election saddled with the manifesto commitment to the abolition of Greater London Council, expected to support it without there having been any proper consideration of the matter within the Party beforehand. Is the abolition of Serps to be another such commitment, to which blind "loyalty" is then expected?

When will the Conservative Party leadership recognise that true loyalty is two-way and that the announcement of policy from on high is not the way things should be done in the 1980s? Conservative Party members really ought to be treated as something more than a "Number Ten Supporters Club."

Eric Chalker.
21, Ingleside Close,
Beckenham, Kent.

Levy on blank tape

From the Secretary, Training Film and Video Association.

Sir,—John Chittock (April 30) on the subject of the recently published Government Green Paper which proposes a levy on blank audio and video tape stated ". . . . film producers want a levy to provide funding support from video viewers . . ."

We are very surprised at this assertion. To the best of our knowledge producers of feature films, films for television programmes, training and educational films are implacably opposed to the proposition that the copying of pre-recorded video material should be permitted.

While recognising that there may be a case for compensating rights holders for existing unauthorised use of audio material, the proposal to allow copying of pre-recorded video material for personal use would amount to an endorsement of copyright theft, which would do incalculable damage to the copyright owners whose interests the Green Paper seeks to protect. Indeed the implications of the proposal are so far-reaching as to be incapable of compensation from the levy.

Eben R. Foggitt,
12, Wyndham Place, W1

South Bank takeover

From the Secretary General, Arts Council

Sir,—There are points raised by Antony Thorncroft in his article on the South Bank takeover (May 4) that are misleading and I would appreciate the opportunity of putting the record straight.

The article suggests that when the Arts Council assumes control it will be its first major venture in direct control. The Arts Council has been in control of the Hayward Gallery since 1968 and the Wigmore Hall since 1946.

I would like to point out that Ronald Grierson, who was appointed to the Arts Council last November, is chairman of the Council's South Bank Group and is not a consultant. Like all other members of Council he is unpaid. The post of chief executive for the South Bank has not yet been advertised so there can be no clear indication at this stage who will be running the new organisation.

It is also far from clear what will be in the repertoire for the first few months. As Greater London Council will not be legally abolished before April 1 1986, there is no likelihood of the Arts Council taking over in January—without the acquiescence of the GLC.

Although subsidy from the Arts Council contributes towards the pay of orchestral musicians who appear at the Festival Hall and the National Theatre's actors, the Arts Council is not directly their paymaster. The orchestras are subsidised through the London Orchestral Concert Board. The Arts Council does not become the landlord of the National Theatre until April 1986.

Luke Rittner.
105, Piccadilly, W.1.

Removing rent control

From Councillor T. Gorman

Sir,—The last census recorded over 9,000 empty residential properties in Westminster alone and this is only a small part of the Greater London area.

When so many properties are held out of the market it is obvious that those which are available will command exorbitant rents. If Councillor Coleman (April 30) wishes to see an end of this situation, as I do, then he should support me in advocating the removal of rent control legislation which is largely responsible for such waste.

Rachmanism was a product of that distortion: people do not pay through the nose for shoddy accommodation if they have a choice.

I really find it hard to understand why Socialists like Councillor Coleman, who see all around the incredible selection of goods which are produced to tempt the customer when the free market prevails, should not wish to apply these principles to areas such as housing which are at present controlled by the state.

Like him I deplore the lack of choice in housing in our cities but it is the product of a highly regulated and distorted market and will not be solved by policies which advocate an increase in these controls.

Councillor Teresa E. Gorman,
(Westminster City Council Housing Committee),
PO Box 240,
City Hall,
Victoria Street, SW1

FINANCIAL TIMES

Friday May 10 1985

Peter Bruce previews Sunday's election in North Rhine-Westphalia

High office beckons for a local hero

AFTER MORE than 200 public appearances since Easter, Herr Johannes Rau is beginning to repeat himself. The joke he uses to thank clumps of supporters for waiting out in the cold has been adapted to this week's burst of sunshine.

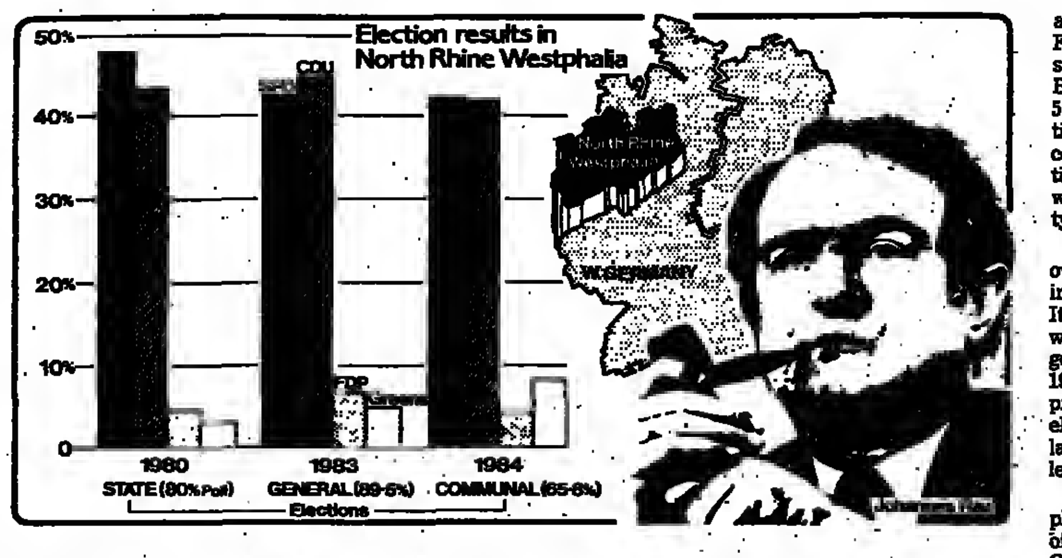
"Opinion researchers tell me the election could turn on 1,000 votes," he tells enraptured crowds at party rallies, "and I tell them, 'Don't worry, I'll get them. Tomorrow I'm going to Krefeld'." They liked that one in Mülheim too.

Herr Rau is running for re-election as Prime Minister of North Rhine-Westphalia, West Germany's most populous state and home to the heavy industries thet powered the country's post-war economic miracle. Voters go to the polls on Sunday, in clearly the most important state election since Chancellor Helmut Kohl's Conservative-Liberal coalition came to power two years ago.

With a third of the entire West German electorate voting in the state on Sunday, Government leaders in Bonn made it clear long ago they regard the poll not just as a half-time score card for Chancellor Kohl, but as a dry run, if a little early, for the general election in 1987.

The poll could be far more important in the long term, because it will either strengthen or destroy the hands of the many opposition Social Democratic (SPD) politicians in Bonn who want to see Herr Rau as leader of tha party. They believe that he, not Herr Hans Joachim Vogel, the current leader, could take on and beat Herr Kohl in a general election.

Herr Rau is so popular in his home state that SPD posters are careful to remind voters that "if you want Johannes Rau then you have to vote SPD." The election is about him.



Supporters who want Herr Rau for Bonn argue he has the homespun, earthy qualities Herr Vogel lacks. Where Herr Vogel is lean, professorial and apparently (if not really) withdrawn, Herr Rau is slightly plump, tells jokes and is constantly stepping off platforms into crowds of people for a chat. On Monday, at a quick supper stop in a small Duisberg yacht club, he ended up playing cards with the members.

He is 54, married late at 51 (before then he used to share a house with his architect brother in Wuppertal, his home town) and has two children, the oldest not yet two years old. His wife, Christina, 28, went to school at Gordonstoun in Scotland. A political moderate, he describes himself as a "pupil of Willy Brandt," supports the EEC and opposes unilateral disarmament.

An old-time Social Democrat, he is quite unfazed by charges that the SPD wasted money while in government in Bonn. "The (current) Government is being careless with people," he booms. He meets the controversy over a clinic in Aachen, for instance, where cost overruns exceeded DM 1bn ($315m) with "I would do it again, so thousands of people do not have to join waiting lists for treatment, so parents do not have to beg for donations to send their children to California for operations."

He is singlehandedly frustrating Bonn's plans to promote private radio and television, by refusing to pass the necessary legislation in the state, saying media in private hands would trivialise events. Without the buying power of North Rhine-Westphalia, advertisers are unlikely to support planned national TV networks.

His aides claim he tries to avoid "dirty" campaigns. Indeed his only real anger before an audience comes when, going through a polite rubbishing of the opposition (Bonn is being run by "an amateur dramatic society"), he gets to the Greens, who recently came within a few votes of making legalised sex with children part of their party platform.

He is defending an overall SPD majority in North Rhine Westphalia. Although he privately concedes that he might have to come to some arrangement with the Christian Democrats (CDU) and liberal Free Democrats (FDP) – partners in the Bonn coalition – if Sunday's poll does not go his way, "there's one thing I cannot do. I can't build a government with the SPD and the Greens. The Greens in North Rhine-Westphalia are not political, they're a chaotic group."

Herr Rau is implying then, that if he doesn't win, the state may be almost ungovernable. At the very worst, the SPD should come within an inch of that majority, but the FDP, buoyed by its recent revival in state elections in the Saarland and Berlin, should also win the required 5 per cent needed to get representation. The CDU and FDP together could outvote the SPD. Constitutionally, Herr Rau could govern with a minority, as the largest party, but it would be messy.

But if Herr Rau is returned with overall control, his supporters within the SPD will be hard to restrain. It is already hard to find SPD MPs who genuinely believe they will govern West Germany after the 1987 election. It seems likely that pressure will increase on Herr Vogel, who has few real enemies but lacks ardent support, to resign as leader.

Rau supporters are already deploying their forces to try to head off a grab at the leadership by Herr Oskar Lafontaine, well to the left of the party, who covered himself with glory two months ago by taking the Saarland away from the CDU.

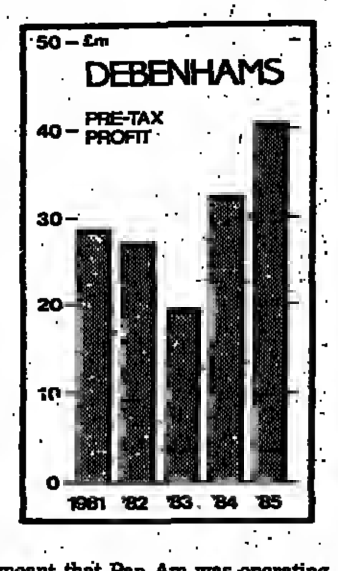
The only problem for his supporters is thet Herr Rau says he doesn't really want to be Chancellor. "I don't want to be a candidate. I don't say I never would, but I don't want to… because this is my job and I love this job and I love this country (North Rhine-Westphalia) and I'm in a particular personal situation. I'm 54 years old and I married when I was 51 for the first time in my life. I've a daughter of 17 months and a son of three months …maybe a situation will arise when duty leaves me no alternative …but I think they should find someone else."

The Rau lobby has heard that before, but it hasn't deterred them. Reluctant leaders, they argue often prove better than the unambitious. Sunday, of course could ruin everything.

THE LEX COLUMN

No mark-down at Debenhams

However hard it may be to make money in department stores – margins are thin and fixed costs frighteningly high compared with almost any other kind of retailing – there is absolutely no difficulty in selling the stores themselves. Debenhams may not exactly have triumphed in the last year as a retailer, though pre-tax profits of £40.7 are respectably up by almost a quarter, but there is no quibbling with the management's achievement in marketing Debenhams as such: the share price of 315p – up 25p yesterday – represents a price tag of more than £440m.



This must seem a reproach to those City retailing experts who had such good arguments for selling the shares – throughout the time when they were trebling in value over the last three years. And the point is surely being reached where participants in the shadow-auction will start to question whether it can be worth actually making a bid. Burton, the favoured runner at present, would probably face some dilution in making a paper bid much above the current price – a worry that three months ago would have seemed quite fanciful.

It is quite possible, therefore, that Debenhams is already expensive enough for all the likely bidders – including its new trading partner Harris Queensway and Habitat Mothercare in addition to Burton – to have been frightened off. So far, they have apparently been content to do their sums in private and wait for someone else to start the public bidding.

If this gentlemanly stand-off continues, the market may before long be reduced to pricing Debenhams on its own merits. It may just be possible to justify a share price above 300p by looking at £300m of property assets and the problematically valued Welbeck credit operation while the general expectation of about £55m before tax this year brings the multiple down to little more than 12; that the present price contains a sizeable bid premium there is, however, no doubt.

Pan Am

Any hopes Pan Am shareholders might have had of a return to profit this year were quickly dashed yesterday by news of a $138.7m first-quarter loss – twice that of the same period last year. The strike in March gave rich pickings to British Airways, among other airlines, but meant that Pan Am was operating at just a third of its normal capacity. For the whole three months, business was down by 25 per cent.

Even though traffic to Europe – Pan Am's biggest moneyspinning route – looks like breaking small records this summer, the airline will probably still make a loss in the second quarter and could hardly claw back enough in the latter half of the year to move into the black. But shareholders can console themselves with the cost savings that should come through from the strike settlement. And if the sale of its Pacific division to United Airlines is allowed to go ahead, Pan Am will receive a useful $705m from a network that only earned it $33m last year.

Royal Bank

Whether through Caledonian prudence or plain good fortune, Royal Bank of Scotland has skirted the debt-traps which have ensnared the London clearers. Limited exposure to Latin America and superior capital ratios have earned RBS a premium investment rating which the group has hoped to build on through its expansion in branch banking south of the border. The premium is still there – at 288p the prospective yield of 4.7 per cent puts the competition to shame – but it is narrowing.

When RBS has drawn down the other £100m tranche of its 20-year floating rate note, its free capital ratio will stand at a commanding 6.5 per cent. But perpetual floaters are allowing the other clearers to catch up and yesterday's interim figures showed that RBS is not after all immune to the problem of debt provisioning. A tough approach to the international shipping book and a higher incidence of provisions for small domestic clients have pushed the bad debt charge up 55 per cent to £26.6m, leaving pre-tax profits a third higher at £75.9m for the half-year to March.

That is no disgrace and, at 13.5 per cent of net interest income, the bad debt charge remains well below average. But RBS was aided by both a strong dollar and higher base rates over the period and profits for the full year may be up by only a quarter to £165m pre-tax. Enough to justify the premium, but not by much. And, as RBS is only too aware, any real softness in the share price would set the rumour mills grinding all over again.

Royal Insurance

The more the composite insurers lose on their underwriting, the higher their share prices seem to go. True to form, when Royal Insurance disclosed a crushing £37m first quarter pre-tax loss yesterday, the shares jumped 25p to close at 610p, having reached 622p at one point. The figures could have been worse; some analysts were predicting losses up to £55m because of the bad weather. But what the market really warmed to was news of a 36 per cent rise in premium income – half of which came from the weakness of sterling but most of the rest from rate rises rather than increased exposure. In the U.S. in particular, the desperately-needed price increases have started to come through, especially in the commercial sector. But the even longer-awaited effect on profits will not, apparently, materialise until the last quarter of this year.

Meanwhile, shareholders' funds are shrinking, and while Royal's balance sheet is in reasonable shape, the implications for Commercial Union are rather more worrying. Now seen as strong recovery stocks, composite insurers' shares have performed second only to the stores sector in the last two months. Given the effect of attributable losses, dividend payouts and a weaker dollar on their capital bases, the UK composites may soon follow their U.S. counterparts and start tapping the markets for money to refinance past dividend payments.

Northern in key UK deal

By Jason Crisp in London

NORTHERN TELECOM of Canada has won a key contract to supply Mercury Communications, a British telecommunications concern, with digital telephone exchanges. Mercury now hopes to start its first switched telephone service next April, which will significantly increase its competition with British Telecom (BT).

The order means that three non-British companies will have won important contracts this year for digital public exchanges in the UK, which until recently was a closed market, supplied by Plessey, GEC and STC.

Six weeks ago, BT placed an order worth at least £100m ($121m) with Thorn-Ericsson, a joint venture between Britain's Thorn EMI and EM Ericsson of Sweden for digital exchanges for the main public network. This followed a £20m order won by APT, a joint venture between American Telephone and Telegraph and Philips, the Dutch electricals group, to supply exchanges for BT's planned freephone network.

Northern Telecom had been short-listed for both BT contracts. The company, which has been highly successful in the U.S. market, has been particularly keen to increase its sales in the UK, where it employs nearly 600 people, including a computer systems subsidiary.

The initial Mercury order for three medium-sized exchanges is worth about £14m to Northern Telecom out of a total cost of $15m-$20m. The company says the exchanges will be made in North America because they have to be installed quickly. Mercury has an option for a second, smaller order which would be made in the UK, according to Northern Telecom.

The order is a blow to STC, which was on Mercury's short-list because it was its last opportunity to retain a presence in the British public exchange business. Since STC was dropped from BT's System X programme – the British-developed digital exchange – it has been the main supplier of equipment using old technology, orders for which will soon end.

Gorbachev speech angers U.S.

Continued from Page 1

anti-Semitism" in the Soviet Union. The remark appeared designed to underline the contrast with Mr Reagan's tribute to victims of the holocaust during his trip to West Germany that ended earlier this week.

Mr Shultz added that he would raise the sensitive issue of the death of U.S. Army Major Arthur Nicholson at his Vienna meeting with Mr Gromyko. Mr Shultz made clear that the U.S. would continue to speak out about Soviet behaviour even if that led to strained relations with Moscow. The U.S., however, remained ready to talk to see if East-West problems could be solved.

The American comments came as Mr Reagan successfully surmounted what should be the last obstacle of his troubled course around Europe – a walkout by some 40 Communist members as he addressed the 250-strong Portuguese parliament yesterday.

Mr Reagan confidently delivered a much applauded speech, well crafted to flatter Portuguese sensitivity, and was unruffled by the walkout. He emerged with much greater dignity than from his ordeal in the European Parliament

Leyland may win Thai bus contract

Continued from Page 1

● The need for a Thai Government guarantee. Although BMTA is a state agency, that would not be enough to win international banks' participation in the syndication of a loan repaying its debts. The Thai Government, however, is anxious not to increase its foreign debt burden, so a guarantee will depend on tha Ministry of Finance's judgment of the financial viability of the British plan.

● The conflicting forces of Thai politics. Some projects in Thailand fail to take off because the principal interests involved cannot be reconciled. With the fine detail of the BMTA contract yet to be worked out, it has all the potential to become controversial.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Dubrovnik	C	15	59	Malaga	S	21	70	Salzburg	F	16	61
Akrotiri	S	22	72	Faro	S	21	70	Malta	S	19	66	Seoul	S	27	81
Algiers	S	22	72	Florence	C	15	59	Manila	S	34	93	Singapore	F	31	88
Amsterdam	S	15	59	Frankfurt	R	21	70	Miami	C	21	70	Stockholm	S	13	55
Athens	S	24	75	Funchal	F	18	64	Milan	F	14	57	Strasbourg	C	12	54
Bahrain	S	32	90	Geneva	C	10	50	Moscow	S	15	59	Sydney	S	19	66
Bangkok	S	35	95	Gibraltar	S	21	70	Munich	S	15	59	Taipei	S	28	82
Barcelona	S	16	61	Guernsey	F	10	50	Nairobi	–	—	—	Tangier	S	19	66
Beirut	C	25	77	Helsinki	F	11	52	Naples	C	14	57	Tehran	–	—	—
Belgrade	C	16	61	H. Kong	S	29	84	New Delhi	S	38	100	Tel Aviv	C	30	86
Berlin	F	17	63	Innsbruck	C	14	57	New York	F	18	64	Tenerife	–	—	—
Biarritz	C	13	55	Inverness	R	8	46	Nice	C	15	59	Tokyo	F	22	72
Blackpool	C	9	48	Istanbul	S	19	66	Oporto	S	17	63	Toronto	F	21	70
Bordeaux	C	14	57	Jersey	F	11	52	Oslo	S	16	61	Tunis	F	21	70
Brussels	C	9	48	Jo'burg	F	22	72	Paris	F	16	61	Valencia	S	19	66
Budapest	C	18	64	Las Palmas	–	—	—	Prague	C	13	55	Venice	–	—	—
B. Aires	F	16	61	Lima	C	21	70	Reykjavik	R	7	45	Vienna	F	17	63
Cairo	C	32	90	Lisbon	F	18	64	Rio de J'o	F	31	88	Warsaw	F	28	82
Cape Town	S	21	70	Locarno	C	13	55	Rome	F	15	59	Zurich	R	9	48
Caracas	C	28	82	London	C	15	59								
Casablanca	S	18	64	Los Angeles	C	21	70								
Copenhagen	S	9	48	Luxembourg	C	9	48								
Corfu	S	22	72	Madrid	F	17	63								
Dublin	C	15	59	Majorca	S	19	66								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Britain to ease textiles barriers

BY PETER RIDDELL AND ANTHONY MORETON IN LONDON

BRITAIN is to adopt a more liberal approach to protectionism for textiles and clothes when the issue comes before the European Commission in July.

Mr Paul Channon, UK Minister for Trade, told the House of Commons yesterday that the Government would urge a renewal of the Multi-Fibre Arrangement (MFA) when it expired at the end of July 1986 but only as a transitional measure while a new Gatt (General Agreement on Tariffs and Trade) round of trade talks was being held.

The MFA is the world agreement which regulates some 80 per cent of trade in textiles and clothes. The European Commission negotiates on behalf of all 10 EEC members when the issue of the MFA is discussed at Gatt.

The MFA began in 1974 and has been renewed in 1978 and 1982. It is bitterly opposed by low-cost supplier nations in the Third World, which want it ended next year.

Mr Channon accepted part of the claim from the low-cost countries by saying that Britain would "seek above average improvements in the access levels for the poorest developing countries and for those whose own trade barriers to British exports are acceptably low."

But he said this would have to be a trade-off. If Britain were to support a softer approach on the MFA, then countries with high tariff levels would be expected to reduce them.

"Our aim must be mutual – not unilateral – disarmament of special exemptions and derogations," he said. "We are not prepared to be a soft touch in this field."

He supported renewal because "it would be quite wrong to end a long period of protection with a sudden jolt.

"A further period of protection will give the British textile and clothing industries time to establish their international competitiveness."

Mr Channon felt that some quotas could be dispensed with altogether, especially those whose costs were disproportionate to the amount of British production protected, and others which seriously handicapped British clothing concerns. He was particularly concerned at the effect quotas had had on keeping the prices of children's clothes higher than they would otherwise have been.

Tokyo defends Bosporus aid

Continued from Page 1

In Britain, the loss of the Bosporus contract has coincided with a domestic controversy over the way Britain fails – or so it is alleged – to match the "predatory financing" of its leading competitors. Vociferously supported by many backbench MPs, the largest British contractors believe that the Treasury is being allowed gradually to whittle down government export subsidies and services, despite ministerial pledges that there will be no unilateral disarmament in the export credit contest.

In the case of the Bosporus bridge, however, it will be difficult for the UK to press home tha argument thet the British bidder was defeated by financial firepower alone.

The Japanese bid of just over $550m for the single-span bridge and the motorways and approach roads was much below the $676m bid from Cleveland Bridge, Bechtel Engineering of the U.S., and Strabag Bau of West Germany in a consortium led by Enka Construction of Turkey.

Cleveland Bridge believes it put in the best price for the bridge itself, but was underbid by some $1m a kilometre on roadworks in that part of the five-lot contract. According to the Japanese, the tenders were $270m from the winner compared with $312.7m from the runners up. That was for the bridge itself and some access roads.

To support the British part of the bid, the Export Credits Guarantee Department, was ready to underwrite a subsidised commercial loan (at rates agreed within the OECD) of some £30m ($37m). Meanwhile, the Overseas Development Administration chipped in a "development" grant from the aid and trade provision of around £10m. That it later raised to nearly £15m, ostensibly because the specifications had become more elaborate, but probably because Britain sensed that the Japanese were about to win the contract.

The various lots of the contract involving the bridge, the approach roads and motorways were to be let as one, however, and when the Japanese pulled out the offer of a Y51.6bn (about $200m) aid loan to cover a large part of tha cost, the battle was as good as over. That offer had itself been "substantially" sweetened towards the end of the negotiations, according to one source in Ankara, to forestall any further British move.

The British company's partners were not able to come up with an aid package of anything like the same scale, Mrs Margaret Thatcher, Prime Minister, told the House of Commons this week.

To win the contract, it is now clear, the rival consortium partners would have had first to put in a much lower bid for the entire project, and second to persuade one or other of their governments to dig deep into bilateral aid budgets.

The Japanese loan comes from the Overseas Economic Co-operation Fund (OECF), an agency that lends some Y600bn a year for big road, rail and port projects in developing countries, notably China.

Japanese officials are saying – and they are not contradicted – in London that this package breaks none of the informal rules set up by members of the Organisation for Economic Co-operation and Development in en effort to contain the international trade credit spree.

It is not covered by the so-called "consensus" rules on minimum interest rates for subsidised commercial loans, nor the mixed-credit (aid blended with commercial credit) guidelines of the OECD's development assistance committee.

The Japanese say thet theirs is a government-to-government offer, separate from the commercial part of the contract. A senior official commented: "We in the Japanese Government did not have any intention to form one consortium to compete with the British. There has been no co-operation between governments and companies on this." Another said the British criticism of Japan as "foolish" was itself foolish.

By lumping the bridge and 200km of motorway and approach roads, Turkey may well have been angling for just the kind of loan that it will be signing with Japan when Mr Turgut Ozal, the Turkish premier, visits Tokyo later this month.

Certainly the authorities indicated that they wanted financing for the balance of the project that is not already covered by $146m of loans from the Saudi Development Fund, the Islamic Development Fund and the Kuwait Fund.

Japan's generosity is not mere altruism. It is said in Ankara that the Japanese are anxious to give something back to the Turks, who are buying ever larger quantities of Japanese cars, trucks and electronic goods.

But the Bosporus deal has an even wider importance. Opportunities to build suspension bridges of over a kilometre in length do not come along every day. This bridge will be an advertisement to countries in the Far East – and especially China – who are thought to be keen to have some built themselves.

Even now, Cleveland Bridge has a senior manager in Peking sounding out the market. Meanwhile, the company that built tha first Bosporus bridge is still hopeful of picking up more than a few crumbs from the bid that failed for the second.

Our Foreign Staff writes: Credits secured by the winner to finance the Bosporus scheme total $606m. Tha breakdown of this amount by lenders is:

● A $205m Japanese credit confirmed by the Government of Japan. Interest: 5 per cent, repayment term: 25 years, grace period: seven year.

● A Japanese commercial credit of $71m from Japan's Eximbank. Interest 9¾ per cent, term 12 years, grace period four years.

● An export credit of $140m from Italian export financing institution Sace. Interest 7¾ per cent. Term 13 years, grace period three years.

● A $30m credit guaranteed by the Italian Government. Interest not known. Term: 15 years, grace period three years.

● A $160m Euroloan. Interest 7¼ per cent. Term seven years with a two-year grace period.

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SECTION IV

FINANCIAL TIMES SURVEY

South Africa

Pressures are growing for the dismantling of *apartheid* and the creation of a just society: changes have taken place but the Government must go further and faster if a tragedy of considerable proportions is to be averted.

● South Africa's President, P. W. Botha, centre, flanked by outspoken African leaders: Chief Gatsha Buthelezi of Kwazulu (left), addressing a capacity crowd of 30,000 at Sowefo; and (right), the Nobel Peace Prize winner, Bishop Desmond Tutu, leading a march in Johannesburg. There are no easy solutions in sight for one of the most complex societies on earth

IN THIS SURVEY

Difficult days lie ahead

By Anthony Robinson

THESE are turbulent and confusing times in South Africa as the National Party Government and a polarised multi-racial society grope with the complexities of moving away from the old apartheid blueprint towards an uncharted future.

Change is taking place against unprecedentedly widespread unrest in black townships throughout the country which led President Pieter (PW) Botha to warn recently of "a dramatic escalation of the revolutionary climate."

The increasingly politicised and unionised black majority is pressing for the abolition of *apartheid* and rejects as inadequate the piecemeal reforms offered by the Government.

Powerful underlying forces such as black population growth and urbanisation are undermining the brittle stability, interspersed by violent protests, which has accompanied the previous 40 years of ruthless social engineering which led, *inter alia*, to the forced removal of over 3m people and the creation of separate black "Homelands."

The same National Party which introduced apartheid is now claiming that the old blueprint of "separate development" is *no* longer appropriate to the needs of what is by far the most economically developed *country in Africa*.

But many whites, feeling guilt perhaps at the injustices heaped on the black majority and fearful of like retribution if blacks achieved power, are also deeply suspicious of the Government's cautious reforms and long for the days of unchallenged white economic and political superiority.

After decades of banning, exiling and eliminating black political organisations such as the African National Congress and individuals like the black consciousness leader, Steve Biko, the Government is now desperately searching for "responsible" black leaders with whom to negotiate a form of power-sharing which would satisfy "moderate" black aspirations while ensuring the survival and prosperity of the white, and other minorities.

There are no quick or easy solutions in sight. The search for long-term solntioos has been made more difficult by economic mismanagement which has led to a sharp recession, accompanied by high inflation and unemployment whose worst effects have been felt in the black townships and homelands.

In every one of the last five years, Government spending has overshot its budgeted target, *frequently* by a large margin.

Over-reliance on gold to bail the economy out, a plethora of *control boards*, over-restrictive building regulations, subsidies to farmers, "strategic *industries*" and consumers, and the costs of administering apartheid in all its forms, have saddled the ecooomy *with* a mass of distortions.

These have raised costs and reduced productivity to the extent that inflation at 16 per cent (and *still rising*) is three times the average of South Africa's *major* trading partners. The low dollar price of gold aod the three years of drought, which this year broke in the nick of *time*, have proved two straws which nearly broke the back of the economy and con*tributed* to the 40 *per cent* depreciation of the rand in 15 mooths.

On March 18, Mr Barend du Plessis, the oew Finance Minister, backed by the full support of President Botha and his Cabinet, managed to retrieve some of the Government's *lost* credibility with his restrictive hudget.

"We shook the state spending tree seveo times to get the increase in spending down below the rate of inflation this year," says Mr du Plessis.

"Now we have to prune the *structure of spending*, introduce zero-based budgeting to question the value of doing things aod make sure that the bureaucracy does not carry on in its own way doiog things which are no looger necessary or which impede the reforms to which we are committed."

But the bitter legacy of years of economic mismanagement and the heavy reliance on an expanded police and defence force to maintain laws and a form of order rejected by the black majority, bas been revealed with a vengeance over the last *few* traumatic months.

The first death in the black township unrest occurred in February last year when a 15-year-old black schoolgirl, taking part in a school hoycott in protest against inadequate black education, was run over by a police armoured vebicle in Atterldgeville, near Pretorla.

As student boycotts and protest meetings spread through other *townships* in the Vaal Triangle, centred on Johannesburg, and tha Eastern Cape, they became intertwined with the hroader black opposition to the new constitution spearheaded by the United Democratic Front (UDF).

The rise of the UDF, a loose coalition of over 645 affiliated church, community and trade union organisations which claims over 2m members, is one of the most significant developments of the past 18 months.

It has been strongly attacked hy the Government as a front for the banned African National Congress (ANC). *More* than 40 of its leaders have been arrested on treason charges connected with the boycott of elections to the coloured and Asian bouses of the new tri-cameral Parliament and the two-day work stoppage in the Transvaal last November.

In September, school boycotts and protest against the new constitution came together with a new potent economic ingredient—the effect of rising inflation and unemployment on the already hard stretched black townships.

One week before Mr P. W. Botha was installed as new state President with almost Gaullist powers and prerogatives, the townships of the Vaal erupted in open revolt: The spark which ignited the flames was the rent increases introdnced without *prior* consultation by the new hlack councils, created under the 1982 Black Local Government *Act*.

In a pattern which has since become familiar, the victims came in *two* categories. The first were those shot by riot police. The second were hlack councillors, elected a few months earlier at polls hoycotted by tha overwhelming *majority of* the black electorate. Their property and even lives have been destroyed hy angry mobs who see them as *corrupt* "sell-onts" and surrogate symbols of white oppression.

Since September, more than 300 people bave lost their lives in *rioting*, police repression and *black-on-black* violence which

CONTINUED ON PAGE 2

Time of painful readjustment

THE SOUTH AFRICAN economy is currently in the midst of a painful readjustment. Its vulnerability to external market forces beyond its control has been underlined by the low dollar price of gold and, above all, by structural changes in the world economy which have reduced demand for many of South Africa's traditional mineral exports.

Despite strong growth in the U.S. economy, the hopes for sharp increases in primary product prices have not materialised.

Moves to bolster the economy

ANTHONY ROBINSON

Diamond sales also remain depressed. Mining houses beve been saved from sharing in the profits collapse of other sectors of the economy by Rand depreciation. This has increased their Rand receipts from exports and made South African minerals more competitive on world markets.

But the economy's woes are not all attributable to foreign influences. Many are self-inflicted. South Africans are currently paying a high price for that year-long consumer-led boom which came to an abrupt end in July and August last year.

The way in which government overspending, execerbated by a 30 per cent rise in public sector pay in October 1983, contributed to a boom which sucked *in imports* and depressed the Rand at a time of declining gold prices and drought, aeverely affected business confidence.

The failure of business to anticipate the size of the Rand's depreciation and take sufficient precantions to hedge against foreign exchange losses bas also had a severe effect on company profits. The most spectacular loser was the electrical appliance and consumer durable importer, Teledex, which reported foreign exchange losses of R109m. But the list of other sufferers makes a roll-call of South African industry. Few have emerged unscathed.

After the binge—the hangover. And it promises to be a long one. The first taste of bitter medicine was the rise in the general sales tax from 7 to 10 per cent in July, 1984.

This was followed by a tough *monetary package* in August wben the reserve bank bolsted its discount rate and the commerciel banks prime rate rose to 25 per cent. There it remains after a short-lived two-point reduction in November.

The double blow fell hardest on the consumer sector, especially private consumption which after rising 8 per cent in the first half dropped 9 per cent in the second—to cries of anguish from car manufacturers, furniture, textile and consumer industries and stores, generally.

In October, the new Finance Minister, Mr Barend Du Plessis was forced to bring in a supplementary budget to tax and borrow eufficiently to pay for Government spending which rose 22.6 per cent in fiscal 1984-1985 instead of the 13.5 per cent planned.

It was against this economic background, and to the eccompaniment of riots and violence in the black townships, that Mr Du Plessis stood up in Parliament on March 18 to present what was called as the most important budget in many years.

What was and is at stake is the credibility and competence of the Government in the eyes of the business community and the country at large. His prioritiea were:

1—To keep the rise in Government spending below the inflation rate.

2—To ensure that no current expenditure was financed by loans.

3—To reduce the public sector deficit before borrowing to under 3 per cent.

It took seven rounds of tough negotiations with apending ministries to achieve the first objective. Total spending estimates were cut to R30.7bn from R34bn. This still is 13.6 per cent above last year's upwardly revised spending out turn, or 11.4 per cent if the re-inclusion of certain previously off-budget items is counted.

In others words, government spending remains high even though public sector pressure on capital markets end therefore interest rates is expected to diminish because of the *bud*geted 18.8 per cent nicreese in tax revenue. This will come mainly from a combination of fiscal drag, a 20 per cent rise in the Sales Tax (GST) to 12 per cent, levies on mines, banks, insurance companies and higher excise and customs dnties on imported office equipment, computers and video cassette recorders.

What is important ebout the budget is the fact that President P. W. Botha has put his own considerable political weight behind the commitment to keep public spending in *check*.

To emphasise this point, the President, Ministers and MPs took a 3 per cent pay cut, a symbolic gesture followed a day leter by a reduction in the Christmas bonuses of public sector workers. This produced predictable howls of outrage, especially from postal and railway workers and other blue collar voters whose loyalty to the Nationalist Party Government is, in any case, suspect.

But the point has been made — sacrifices have to be accepted by all this year in order to reduce inflation—currently 16 per cent and expected to rise to at lease 18 per cent before declining — and shift resources where possible into export industries.

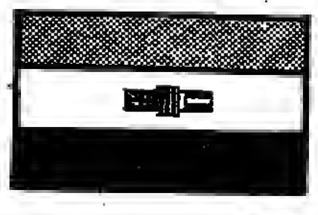
Growth in GDP this year will be sharply down to around 1 per cent compared with the 4.5 per cent of 1984—all of it in the first half. That there will be growth at all is thanks largely to the break in the drought. This has resulted in a substantial rebound for the hard-hit farming sector and self-sufficiency at least in the key maize crop.

Prospects for the rand have improved somewhat following its disastrous decline from a peak of 91 U.S. cents in September 1983 to 41 cents on January 21 this year.

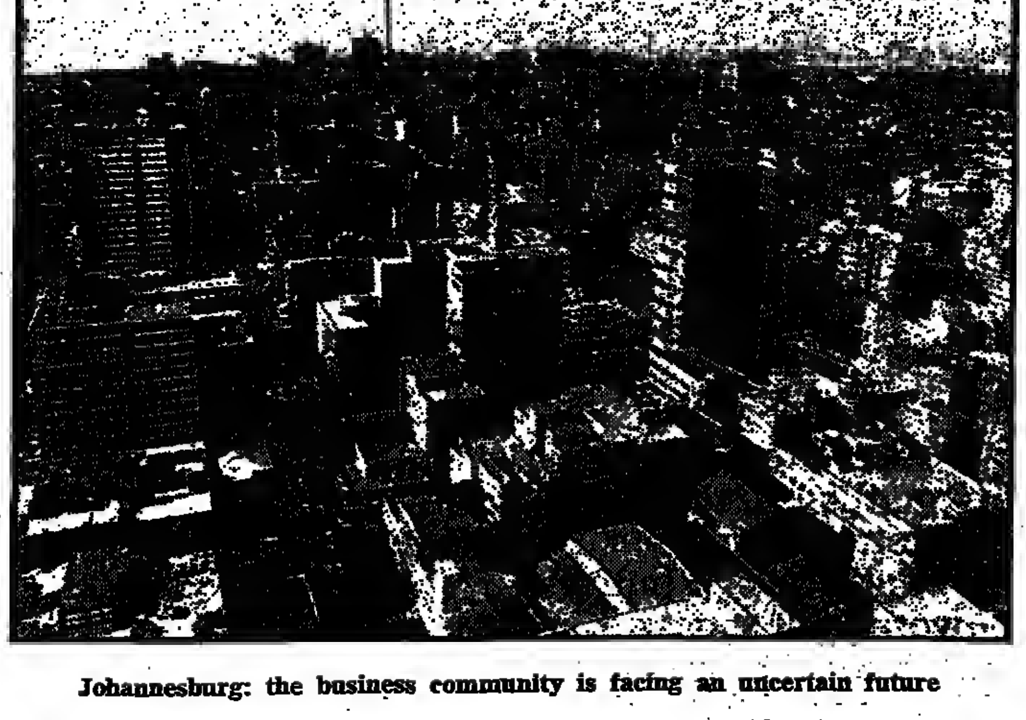
Technical adjustments by the reserve bank to curb leads and lags and the decision to pay gold mi ning companies half in dollars and half in rand, instead of all in dollars, have helped to underpin the underlying improvement on external account.

The current account of the balance of payments showed a deficit of around R1bn in 1984 but the last quarter was in surplus and 1985 should show a surplus of around R1.5bn, according to Mr Du Plessis.

Much will depend on the gold price, *but this year's budget* was significant for not making any prediction about future trends or hopes for the metal. This reflects a greater awareness that South Africa will have to work harder to develop its non-gold exports if future balance of payments constraints are to be avoided. The lower rand has made minerals, manufactured goods and traditional items like fruits more competitive but unless inflation can be brought down swiftly this edge is likely to be eroded by higher costs.



Although many of South Africa's economic problems are due to external market forces, the country is also paying a high price for a year-long consumer-led boom that came to an abrupt halt in July and August last year. Inflation is at 16 per cent and expected to rise to 18 per cent.



Johannesburg: the business community is facing an uncertain future

Excess stocks

On the import side, the recession has cut back demand and importers have been forced to re-export some imported items to prevent excessive stock accumulation.

A recent Standard Bank review characterised 1985 as "a year of difficult transition" and noted that "the very high cost of money in real terms and the related very sharp decline in demand created unusual cash flow and cost problems. As a result, the pressure to cut inventories and overbeads has been far greater than in previous downturns."

It also noted that South Africa's European trading partners are now building up some economic momentum.

"Given present trends both in the U.S., Europe and Jepan, the *current expansion period* is now expected to expand well into 1986 before a meaningful slowdown occurs." It concluded: "for South Africa that is encouraging because it should allow a fairly prolonged build-up of exports as a base for economic expansion."

Raising the export consciousness of South African manufacturers is one of the priorities of the ministry of trade and industry. Minister Dawie de Villiers insists: "We've got to look for niches in world markets, but we must remain competitive and reduce costs."

The need to seek new world markets is only one part of a broader attempt to tackle some of the atructural rigidities of the economy. It is not only too dependent on its traditional mining base but eaddled with a plethora of control boards, egricultural and consumer subsidies and the cost of *maintaining* the whole bureaucratic apparatus of apartheid.

"We've moved away from price controls, which only remain on sugar and steel but we must phase out subsidies and get closer to economic end-user charges. We are also more than prepared to privatise, not only the big state corporations, but also by selling off the smaller government services like garages, repair shops and the like," added Mr de Villiers.

But some of the greatest problems facing the South African economy are inextricably linked with the dual nature of South African society with a developed, capital intensive first world economy co-existing cheek by jowl with Third World poverty.

Employment

South Africa needs GDP growth of 3.7 per cent annually to sustain present employment levels and 5.5 per cent if it is to create jobs for the rising population. But black unemployment, officially 506,000 out of 6.13m "economically active" blacks, is believed to exceed 3m by academic researchers.

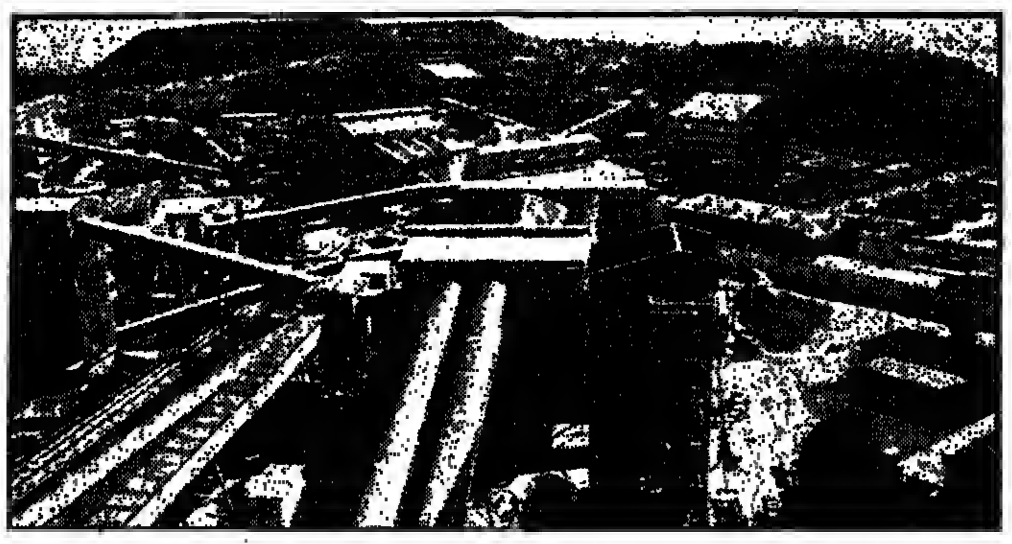
With 5.5 per cent growth unlikely in the foreseeable future and political pressure mounting from the bleck majority, the solution to the employment problem *is* increasingly being seen in removal of restrictions on black *businesses*, *greater* help from Government and privete industry to "nurse" budding black entrepreneurs and above all an end to influx control and willingness to allow blacks to build their own houses and urbanise more quickly.

The Government is still committed to its controversial "industrial decentralisation" policies designed to tempt industries and employment to homelands and other out of the way areas by cash grants and other incentives. It is an expensive element in the overall budgetary picture. The biggest increase in this year's budgetary allocations was the 27 per cent jump to R3.6m in economic assistance to the homelands and Namibia, incentives for decentralised industries and contributions to the African Development Bank which helps finance such projects.

The Government argues this is not just to bolster apartheid but a genuine effort to bring industry and employment to the people. The costs are high and the results marginal so far.

The macro view of the South African economy shows the irresistible and growing attraction of the Vaal triangle, centred on Johannesburg, Pretoria and Vereeniging. It is linked to the sea by a "growth corridor" stretching from the triangle through Newcastle to Durban. Peripheral coastal cities such as Cape Town, Port *Elizabeth* and *East London and* areas like the Northern Transvaal ere suffering from declining economic vitality.

Critics of the Government's attempt to divert the netural location of industry closer to the homelands see it as part of the almost obsessive need to control people and things. What is needed, they say, is a conscious ettempt to creete an integrated economy with full participation by all races and the creation of wealth, employment and a bigger market in this way.



Developments in the diamond mining industry have been cut back as sales of gems have not been as high as expected. Above: the Cullinan diamond mine, Transvaal

No simple solutions

CONTINUED FROM PREVIOUS PAGE

has spread across the country, including to townships in rural areas of which most people had never beard.

In February, the plight of millions of the poorest blacks, illegal squatter refugees from poverty in the homelands, was highlighted by 18 deaths in tbe squatter township of Crossroads, near Cape Town.

Fears that their sbacks were to be toro down and that they would be forcibly removed, either back to the Homelands or the new township of Khayelitshe on the Cape Flats, were behind tbat outburst. It was defused only by a quick reversal of policy by Mr Gerrit Viljoen, the Minister for Co-operation and Development.

By this time, bowever, foreign and domestic criticism of police tactics was rising. It reached a new pitch on the 25th anniversary of the Sharpeville massacre of March 1960. Police in armoured cars sbot and killed 19 people et Langa, near Uitenhage, in the Eastern Cape.

Amid calls for the resignation of Mr Louis Le Grange, the Minister for Law and Order, President Botha ordered a commission of enquiry under Justice Donald Kannemeyer. Evidence heard by the judge, including that of the police officers involved, etrongly contradicted the version of events given to Parliament by the minister. It also revealed e breakdown in the police chain of command, e disregard for official riot-control methods, based on the theory of minimal violence and e lot about the attitude of some policemen to the blacks they were policing.

Much hinges on the findings of the *Kannemeyer Commission* and how the Government implements its recommendations. The widespread nature of the unrest has already forced the Government to bring in the army and the railway police to back up the 46,000-strong regular police force. It has to retain their confidence.

Equally, bowever, it has to reassure public opinion, especially black opinion, that the police are not a law unto themselves but subject to clear rules of behaviour and accountable for their actions.

Restoring, or rather creating, confidence in the police is vital because the maintenance of public order is seen by the Government as an essential prerequisite for the kind of orderly, evolutionary change to which it is committed. But equally vital, and in the long run, the crucial issue is its ability to find valid and credible negotiating partners among the black community.

If the past few months have done nothing else, they have demonstrated that the ability of 4.7m whites to control the lives of 26m blacks (including those in the four "independent" homelands) cannot be maintained indefinitely. By the end of the century there will be 5m whites and nearly 40m blacks.

The qnestion is not *whether* to talk, but *who* to talk to? The Government remains convinced that the overwbelming mejority of blacks are conservative and more interested in economic advancement than formal political emancipation. This view is backed up by various surveys of bleck opinion which show that wbat blacks want most is a good job, good education for their children, e decent house and abolition of the pass laws, influx control and other apartheid-induced affronts to their freedom, civil rights and human dignity.

Most of the "reforms" announced by the Government eo far tend, albeit haltingly and incompletely, in this direction. They include:

- Recognition of the permanence of millions or urban blacks in "white" South Afria, and of the need to give them some form of political representation.
- A promise to revise the most "negative and discriminatory" aspects of influx control.
- Introduce 99-year leaseholds and possibly freebold rights for blacks.
- An end to the coloured preference rules in the Cape.
- A moratorium on forced resettlement.
- A new bousing policy which will allow controlled shanty-towns and self-build housing and a eeries of similar changes.

Another symbolic pillar of apartheid legislation fell earller this month when the Govero-ment accepted recommendetions of a multi-racial Parliamentary Committee to scrap the laws preventing mixed marriages and outlawing sexual relations across the colour line.

It is a sign of the deep polarisation of opinion within the country, however, that the changes announced thus far bave been denounced as "betrayal" by conservative whites, criticised as "too little, too late" by foreign governments and domestic liberals and dismissed as "cosmetic" or irrelevant by most blacks.

After decades of adbering to a comprehensive *aportheid* blueprint, the Government is now facing an uncherted future. Ministers and top civil servants give the impression thet they would like to be bolder. Paternalism ie out. Power bas to be shared. Means must be found for blacks to shoulder more responsibility, not only politically but economically. Black enterprise must be encouraged not frustrated as in the past. Blacks themselves must become employers, create jobs and build their own homes.

Much of the confusion and ambiguity which surrounds Government actions and stated intentions reflects the need to address several mutually suspicious eudiences at once:

Change, coupled with unrest in the townships, is deeply unsettling to many whites, including powerful elements within the bureaucracy, the security forces and the army, as well as among blue collar workers whose privileges are most at risk from black advancement. It is no coincidence that the more liberal views are expressed by the better-educated and more highly skilled whose futures are more secure.

Painfully, the Netional Party Government has come round to accepting that the split in Afrikanerdom, provoked by the new constitution, is permanent and is seeking a new consensus of the centre. The message of black frustration and anger coming from the townships is too strong to ignore. It bas taken to beert the warning by Chief Gatsha Buthelezi and other bleck leaders that those who think that the Conservative Party is more of a threat to stability then 22m unenfranchised blacks are delnding themeelves.

The dilemma for the Government is acute, to say the least. Out there lies a great majority, hungry for meaningful reform which will improve their lives. But how can it find black leaders with real enthority to accompany it along the path of reform without losing control of the speed and direction of change and without provoking a possibly violent white reaction?

Indeed, do such black leaders exist or bave they already been frightened off by the fate of black councillors and others who bave become victims of violence against so-called "sell-outs?"

The Government would like to believe that negotiating partners can still be found among leaders of the black Homelands, black councillors and black businesa and cburch men. In his speech, opening the new Parliament *in January*, President Bothe *offered* an "informal, non-statutory forum wbere black and other leaders who forswore violence would bave access to the highest level of decision-making. So far there have been few takers.

There are black leaders like Chief Buthelezi wbo, while sharing the elmost universal ideological commitment of blacks to the principle of one-man, one-vote, is on record as understanding white fears that this would lead to their being swamped and their identity destroyed by the majority, and would work for some sort of federal compromise. But he, too, demands scrapping the new constitution, abolishing the Homelands system and the repeal of *apartheid* legislation as a prerequisite of talks.

It is difficult to escape the conclusion that, at some time, the Government will have to unban the African National Congress and talk to its leaders. It is being urged to do so, not only by blacks but also by sections of liberal and "verligte" white politicians, academics and businessmen.

Unofficial "feelers" have already been sent out in this direction through meetings in Lusaka between politically well-connected Afrikaner journalists and ANC leaders.

President Botha himself eppeared to take the first step towards a dialogue with the ANC back in January when be offered to release Mr Nelson Mandela and other jailed ANC leaders if they agreed to ebandon tbeir strategy of violent overthrow of the Government and abide by the laws of the country.

The offer was rejected both by Mr Mandela and by Mr Oliver Tambo, the leader in exile. But the last word has almost certainly not been said by either side.

Complicating the difficult *search for* bleck/*white dialogue* and a new *modus vivendi* is the fact that it is taking place under the *glare of* unprecedented international media and political attention and against the background of *threets of* economic sanctions and disinvestment.

Interoational attention is recognition of the notential bere for a tragedy of considerable proportions and bitter conflict whose effects would reverberate way beyond South Africa and further destebilise a continent already facing almost insurmountable political and economic problems.

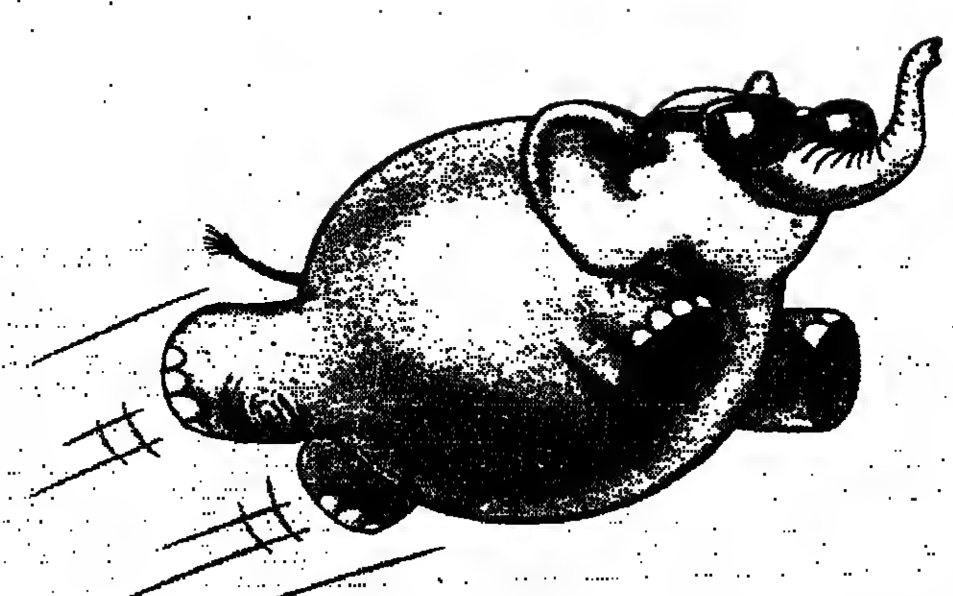
The pressures are increasing for the Government to spell out more clearly and unambiguously its reformist goals and for black leaders to state more strongly their acceptance of a positive future for white Africans in a more equal multi-racial society with guarantees for minorities.

In his recent keynote speech on U.S./Southern African policy, Mr George Shultz, the U.S. Secretary of State, acknowledged, as much of the international community acknowledges, that more changes have taken place in Sonth Africa over the last three to four years than in the previous four decades.

But time is not in South Africa's favour and demands are rising on all sides to go further and faster towards the *dismantling* of apartheid and the creation of a juster, more integrated society.

Difficult days lie ahead.

Trunkated Jo'burg flights.



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Complex challenge from wider world

SELDOM HAS the close interaction between South *Africa's internal* affairs and its foreign policy dilemmas been so clearly marked as over the last 15 action-packed months. It was a point emphasised by Mr George Shultz, the U.S. Secretary of State, in his major policy speech on Southern Africa in Washington last month.

"A society that feels immensely threatened by outside forces is less likely to loosen the controls at home. Nor can black states normalise their relations with their South African neighbours so long as there is no convincing movement away from apartheid," he said.

Relations with neighbours

ANTHONY ROBINSON

The outside forces which have so preoccupled South Africa for the best part of a decade have been the Cuban forces and Soviet Bloc advisers in Angola and Soviet infinence in neighbouring Mozambique.

The perceived threat of posible military invasion led to the "total onslaught" theory. This was used to justify the building up of a powerful domestic arms industry in the fece of an international arms embargo and a defence force capable of striking deep into the former Portugoese colonial territories whicb bad previously acted as a *cordon sanitaire*, separating the republic from the newly-independent black states, further north.

Experience has sbown thst the ability of the ex-Portuguese colonies to act as springboards for invasion was vastly over-estimated. On the contrary, South Africa's newly-acquired military power, coupled with support for rebel movements like Unita in Angola and the Mozambique National Resistance (MNR) in Mozambiqne, have been major fectors contributing to the economic collapse and political fragility of both countries with severe knock-on effects on the economies of countries like Zimbabwe, Zambia, Malawi and others, formerly dependent on rail and road links to Angolan and Mozambique ports.

Having demonstrated its destructive potential as e regional super power, South Africa is now in ths position of *trying* to forgs a more constructive relationship with lts neighbours in the region—and encouraging that process is one of the key elements behind the much-maligned U.S. "constructive engagement" policy which Mr Shultz so powerfully defended in his policy speech.

The events of the past 15 months have shown that it is much easier to de-stabilise than stabilise. A wave of euphoria swept through South Africa 14 months ago when Presidant Samora Machel of nominally Marxist Mozamblque signed the Nkomati Accord with then Prime Minister, P. W. Botha.

It was billed as the start of a new policy of mntually beneficial good neigbbourliness. Armed with the Nkomati eccord and the promise of internal reform to come with the new tri-cameral Constitution, Prime Minister Bothe and his foreign minister, Mr Roelof (Pik) Botha followed up this dlplomatic success with a seven-nation tour of European capitals.

Major breakout

Seen against the background of the two preceding decades of ostracism, the tour was widely seen as e major breakout from isolationism. Since then, however, it has been downhill for most of the time, as the combination of domestic unrest and South Africa's inability to neutralise a stepped-up offensive against the Frelimo Government by MNR forces, backed by wealthy petrons in Latin America, Europe and the Gulf, and from inside South Africa itself, cast doubt on the real intentions of Pretoria.

The U.S., whose backstage diplomacy helped bring about the Nkomati Accord, has stepped up its own economic assistance and political support for the Mozamblque Government and has urged both sides to keep the Nkomati Accord functioning.

South Africa, which secured the removal of African National *Congress training camps and* cadres from Mozambique after Nkomati, undertook to do more to root out alleged MNR sympathisers from within the army and elsewbere. It has also undertaken to cease action as "honest broker" between the MNR and the Frelimo Government and to actively support the Mozambique Government's efforts to cut off MNR supply lines and step up military ection egainst them.

The South African Power Corporetion, Escom, furthermore is seeking to recruit armed guards to patrol the Cabore Bassa power line and prevent the sort of sabotage which has cut the flow of Mozambique power to South Africa for nearly two years.

While Deputy Foreigo Minister, Louis Nel struggles to keep good relations with Mozambique, Foreign Minister Pik Botha and Mr Chester Crocker, the Assistant Secretary of State for African Affairs, have been involved in complex negotiations with Cuba and Angola whose ultimate aim is to secure tbe withdrawal of Cuban troops and the independence of Namibia South West Africa.

One relatively minor obstacle to Cuban withdrawal was removed last month when South Africa decided unileterally to withdraw the last of its own troops from Southern Angola.

The 450 troops involved were the remnants of the invaslon force which pushed 140 kms into Angolan territory in December, 1983, in a search and destroy operation against bases and supply lines of the South West Africa Peoples Organisation (Swapo).

Two days after tha withdrawal, President Bothe announced his Governmant's decision to restore a form of internal "interim government" in Windhoek, the Namiblan capital, while at the same time insisting that South Africa remained committed to an international settlement of the Namibian independence question, under the terms of UN Security Council resolution 435.

He repeated the South African proviso that eccептance of 435, which calls for UN-supervised elections to a constituent assembly, remains conditional on an agreed withdrawal of Cuban forces from *Angola*, the vexed question of "linkage" which has made Namibian independence such a movable feast for decades.

The MPLA Government in Luande has its own linkage demands and wants South Africa to stop its support for the Unita movement led by Dr Jonas Savimba. Over the last year, Unita forces have extended their guerrilla activities to a point wbere they now claim to be surrounding the capltal Luanda as well as threatenlng the oil-rich Cabinda enclave and the diamond mines in the north.

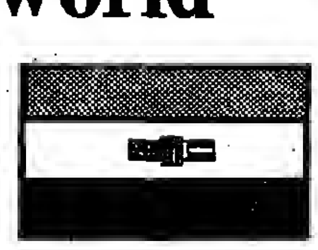
Ideally, South Africa would like to see e political compromise between Unita and the MPLA, leading to a coalition government capable of restoring peace to e country ravaged by ten years of civil war and able to dispense with the 30,000 Cuban troops which, et present remain the main support for the MPLA government.

The obstacles to such a settlement remain daunting, partly because of the mutual antagonism and susplcion between the two Angolan contestants and partly because of the great power element of the probiem. The key to any eventual settlement probably lies more with Washington, *Moscow* and Havana than Pretoria or Luanda.

Apartheid

Meanwhile, South Africa's foreign policy establishment is facing a complex challenge from the wider world outside lts immediate African environment. Relief at the re-election of President Ronald Reagan was soon overtaken by emergence of apartheid as a powerful rallying point for the defeated "rainbow coalition" and the repid growth of the various "divestment" and disinvestment lobbies in the U.S. and, less vociferously, in Europe.

Disinvestment is an issue which shows the interaction between foreign and domestic policy et lts closest. The emergence of South Africa as a major, and divisive, issue ln U.S. domestic politics has led to increased pressure from Washington and other Western capitals for Pretoria to reform ths apartheid structures of the country.



Obstacles to an Angolan settlement remain daunting, partly because of the great power element of the problem

In his Southern Africa Policy speech, Mr Shultz acknowledged that "there has been more reform in South Africa in the past four years than in the previous 30."

He recognised that "It has been willing to accept major defections from lts own ranks in order to offer a better political, economic and social deal for the nation's black majority."

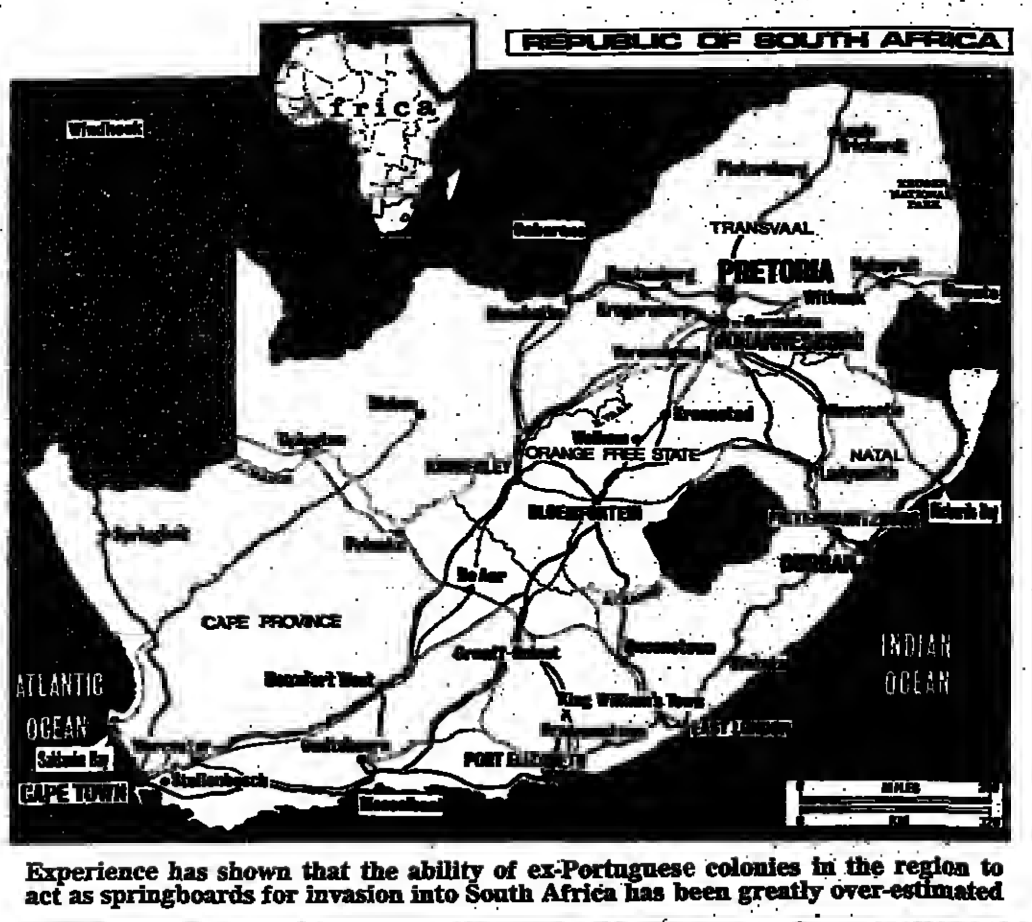
He also had to underline "these changes are not enough," and said that America's job was to encourage lt to do more.

His speech was the most powerful stetement in support of "constructive engagement" to date and emphasised not only the broader global issues of an East-West nature involved here, but also the fsct that what happens in South Africa will have serious, and possibly tragic, repercussions throughout Southern Africa.

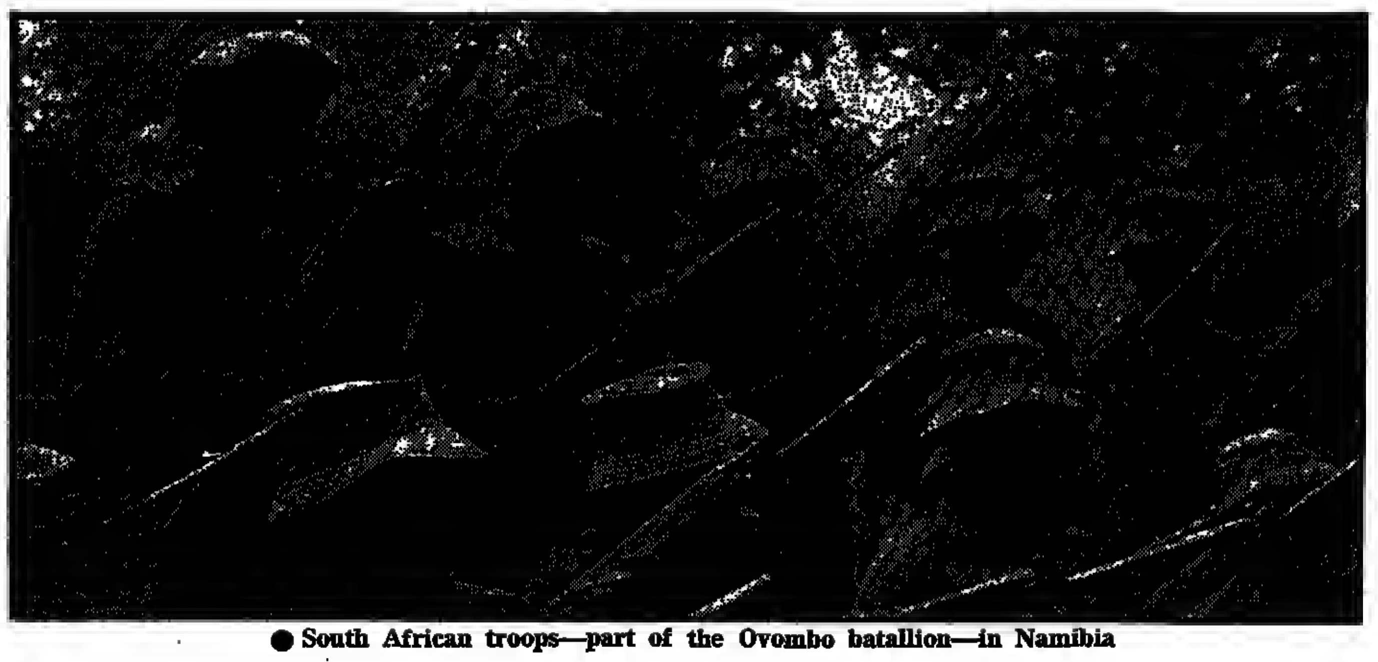
The aim of U.S. and other foreign pressure is to nudge Pretoria to move faster, to negotiate with black leaders, including the ANC, and spell out more clearly its ultimate goals and objectives in the belief that this is the only way to head off an otherwise inevitable black/white confrontation.

The danger is that pushed too far the Afrikaner-dominated Nationalist Government might dig in its beels and retreat into e form of Fortress South Africa. It would doubtless still continue with "reform"— but at lts own speed and under conditions of greater repression and greater economic stringency.

● White South African soldiers on parade, right; although the country has built up a powerful arms industry in the face of an international arms embargo, it is now trying to forge more constructive links with its neighbours in the region.



Experience has shown that the ability of ex-Portuguese colonies in the region to act as springboards for invasion into South Africa has been greatly over-estimated



● South African troops—part of the Ovombo batallion—in Namibia

Why Pretoria drags its heels

FEW ISSUES have managed to stir up so much diplomatic smoke and so little light as the vexed question of the independence of Namibia, the former German colony of South West Africa which Pretoria has ruled since 1915 and, illegally, since 1966.

The latest chapter in the long-running effort to secure an internationally-recognised independence which will satisfy the five-nation Western "contract group," (consisting of the U.S., Canada, Britain, France and West Germany), set up in 1978 and the UN in general was tunred down by President P. W. Botha last month,

The Namibia problem

ANTHONY ROBINSON

The international community was not amused. For what President Botha announced was the creation of another "interim government" composed of six internal parties, grouped together in the Multi-Party Conference (MPC). In effect, this is e re-play of the earlier interim government, headed by Mr Dirk Mudge, leader of the Democratic Turnhalle Alliance (DTA), whose short period in office was ebruptly terminated in January, 1983 and replaced by the direct rule of the Pretoria-appointed Administrator-General, Mr Willie van Niekerk.

Like its predecessor the new interim government will be involved in strictly local, Namibian affairs with Pretoria retaining control over foreign relations and defence and the administrator general having effective powers of veto over legislation.

Frustration

The significance of Pretoria's decision to permit another interim government lies in the implication that the South African Government does not believe that conditions will be ripe for internationally-recognised independence for Namibia under the terms of UN Security Council resolution 435 for the foreseeable future.

In the meantime, it hopes that the six-party coalition Government will provide et least a partial outlet for the frustrations of Namibians and continue with the difficult, if not impossible task, of trying to get the Sonth West Africa Peoples' Organisation (Swapo) to join e sort of government of national unity.

South Africa remains formally committed to Namibian independence under the terms of resolution 435 which calls for the formation of a special UN force to supervise elections to a constituent assembly. It does not really believe in lt. Apart from practical doubts abont whether the UN would really be prepared to foot the bill for an up to 7,000 strong UN force to monitor Namibian elections, Pretoria is also scathing about the UN fiction that Swapo is the sole authentic voica of the Namibian people.

In Pretoria's eyes, the Swapo leader in exile, Mr Sam Nujoma, is little more than a Soviet stooge, skilled et travelling round the world basking in the combined support of Moscow and the UN, but not competent to run the affairs of an independent Namibia ln a way which would guarantee the continuing economic and political stability of the country.

Such donbts are not limited to official Pretoria. They are also expressed by disillusioned former cadres in Windhoek.

Swapo is e force to be reckoned with, both because of lts basic ethnic support among Ovambos—the largest tribe who make up around 70 per cent of the total 1.1m population—and because of its prestige as e liberation movement after more than e decade of guerrille war egainst illegai South African occupation. Foreign and domestic observers balieve thet elections under UN auspices would lead to an overwhelming Swapo victory—which is why Pretoria has been dragging lts heels for so long.

It has been aided in its procrastination by the U.S.-inspired policy of linkage between implementation of resolntion 435 and withdrawal of Cuban troops from Angoia which provides a sanctuary and supply routes for Swapo guerrillas.

Angola's usefulness as a secure base for Swapo operations in the Ovamboland war zone has been severely limited over the past two years, however, by the effects of Operation Askari. This was the codename for a South African army incursion into sonthern Angola in December 1983 aimed at wiplng out Swapo bases.

The operation ended last month when the last South African troops were withdrawn. South Africa has warned Luanda that it will be prepared to move back again if Angola does not keep Swapo forces out of the "no-go zone" establisbed under the Fsbruary 1984 Lusaka Agreement which led to the phased withdrawal of South African troops.

The withdrawal of South African troops has been presented by Pretoria as a gesture to the Angolans, aimed at removing one obstacle to the hoped for evacuation of Cuban troops (the main obstacle remains the military and political pressure exerted egainst the Luanda Government by Unita guerrille forces led by Dr Jonas Savimbi, aided by South Africa and other Western powers).

It was also made possible by the South African army's success in blunting the annual seasonal Swapo infiltration into the Ovamboland war zone.

In the first three months of this year the combined South African and South West African forces of around 10,000 men (exact figures are a military secret) killed 238 Swapo insurgents. That is over 25 per cent of the 1,300 guerrillas which the army estimate as the total Swapo infiltration force strength this year. Total Swapo armad strength is around 8,000, but the military authorities say up to 60 per cent of this total is currently deployed by Angola against Unita forces.

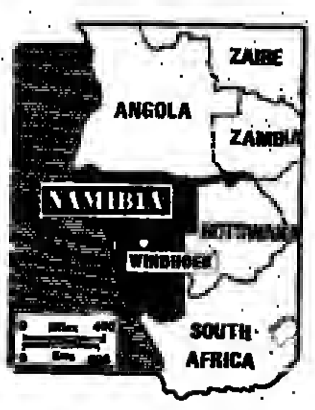
Despite lts successes, however, the military authorities accept that they are fighting e war which cannot be won militarily. Small groups of Swapo forces continue to infiltrete. They place mines on roads and bombs in supermarkets and carry out "armed propaganda" and intimidation. It is e small war, geographically limited mainly to Central Ovamboland, but it is e vicious war which has been marked by atrocities on both sides. On the South African side there have been well-documented cases of torture and intimidation, largely bnt not exclusively, by the mainly black Koevoet (Crowbar) Special Forces Unit. Swapo, too, has mutilated and tortured opponents.

Winning minds

For its part, the South African defence forces claim they are now concentrating on winning hearts and minds and severely disciplining soldiers found guilty of atrocities. They are also manning schools and clinics and helping to build up the social and economic infrastructure of the area.

War weariness, they say, is growing, but whether Swapo and lts Soviet and Cuban backers can be persuaded to give up or suspand the armed struggle depends on broader political considerations. For a time last year, the prospects looked promising.

In May 1984, barely two *months after the Nkomati* Agreement between South Africa and Mozamblque; a Swapo delegation, led by Mr Sam Nujoma, sat down for three days of talks in Lusaka with a South African delegation, led by Mr Willie van Niekerk, under the good offices of President Kenneth Kaunda of Zambia.



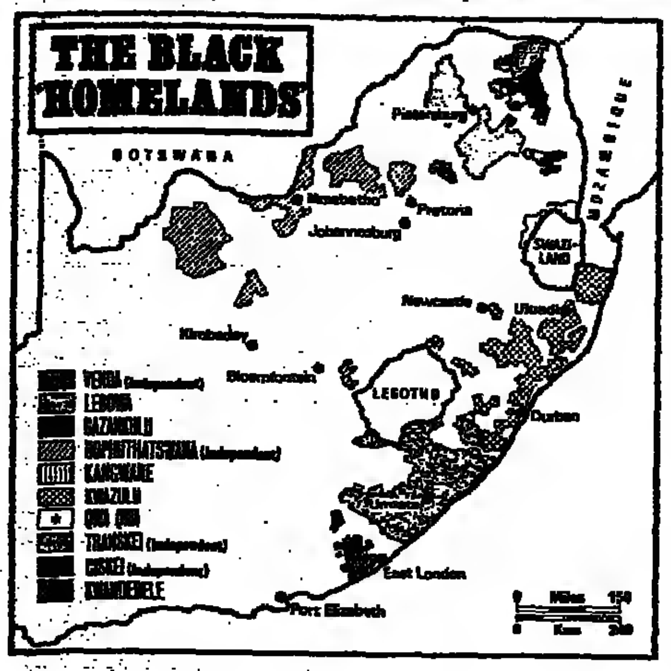
Also present were leaders of Namibie's other political parties. It was a historic and unprecedented event, but the hoped-for prize—signature of a draft declaration which inter alia would have committed the participants to e ceasefire leading to implementation of resolution 435—proved elusive.

Mr Nujoma, after consulting with e senior Soviet diplomat, refused to sign a document which did not specifically link a ceasefire with implementation of Resolution 435, and the meeting broke up inconclusively. The search for a settlement continued with e series of equally ebortive meetings on Cape Verde and other West African venues, with the ective involvement of Mr Chester Crocker, the U.S. Assistant Secretary of State.

The focus of continuing negotiations at this stage is concentrated on formulating an agreed timetable for the withdrawal of Cuban troops and there have been ancouraging noises from both Havana and Luanda.

Moscow's intentions towards Southern Africa remain unclear. It seems absurd, but the fate of Namibia is likely to be determined in the last resort not in Africa but by decisions of a global nature taken in Washington and Moscow. The breakdown of East-West detente in the 1970s was partly a consequence of Soviet and Cuban involvement in Angola, Mozambique and the Horn of Africa.

It remains to be seen what part Africa, including Namibia, plays in the summit meeting now being proposed between President Reagan and the new Soviet leader, Mikhail Gorbachev.



Homelands population

Homeland	Economically* (%)	Non-economically (%)
Bophuthatswana	25	75
Ciskei	20	80
Gazankulu	10	91
KaNgwane	16	84
KwaNdebele	12	88
KwaZulu	18	82
Lebowa	13	87
QwaQwa	11	89
Transkei	24	76
Venda	19	81
Rest of S. Africa	44	56

* "Economically active" includes the unemployed of working age who are seeking jobs (figures for 1980; other tables at mid-1983).

Coloureds population

Province	Number	% of total coloureds population
Cape	2,358,000	84.12
Transvaal	266,270	9.50
Natal	95,480	3.41
Orange Free State	59,630	2.12
Various Homelands	23,800	0.85

Indian population

	Number	% of total Indian population
Natal	706,691	80.67
Transvaal	127,423	14.55
Cape	33,204	3.79
Orange Free State	none	none
Varous homelands	6,682	0.99

Black population

Homeland	Tribe	Number	% of total black population
KwaZuln	Zuln	3,778,602	16.57
Lebowa	North Sotho	1,882,514	8.17
Gazankulu	Tsonga	582,508	2.55
QwaQwa	South Sotho	305,000	1.34
Transkei	Xhosa	2,524,353	11.07
Ciskei	Xhosa	728,441	3.19
KwaNdebe	Sonth Ndebele	225,792	0.90
Venda	Venda	376,470	1.65
KaNgwane	Swazi	183,763	0.81
Bophuthatswana	Towana	1,433,424	6.29
Total bomeland population		12m	52.00

● Non-bomeland population:

Province	Tribal mix	Number	% of total black popnlation
Transvaal	varions	5,970,354	26.18
Cape	mainly Xhosa	1,693,507	7.43
Orange Free State	various	1,685,427	7.39
Natal	mostly Zuln	1,453,533	6.37
Total non-bomeland population		10,802,821	47.37


Bus approaching black homes at Soweto

The authorities are trying to find a strategy for economic growth in the homelands that does not wholly overthrow the principles of apartheid

Policies in transition

Future of the Homelands

MALCOLM RUTHERFORD

IT IS not always quite clear in South Africa where the bomelands begin and end. As the visitor enters Transkei from the East London route by the Great Kei River Bridge it is like crossing a national frontier: South African officials checking your pepers and Transkei officials a few yards on granting a visa for 50 South African cents. Come out *via* Port Edward and you are in Natal almosi without knowing it.

There are no signposts to Ulundi, the capital of KwaZulu, until you are within a few miles of the place. You can think that you are in Ciskei and find it remarkably affluent. But it turns out that you bave moved into King William's Town, which is part of white Soutb Africa.

Almost everythiog is a surprise. Umtata, the Transkei capital, looks like a husy, reasonably well-functioning city, certainly by African standards. Port St Johns on the Transkei coast bas what must be one of the prettiest golf courses in the world. Bisbo, the planned administrative capital of Ciskei, looks like a building site on the moon, but it is gong to have a lot of huge concrete blocks if it is ever completed. It already has a casino, which is not allowed in Soutb Africa proper.

Bophulhatswana has a television station—Bop TV—which is eagerly picked up by whites in Johannesburg. The Legislative Assembly in Ulundi has facilities that make Westminster look primitive.

The most abiding scene is of black children, especially girls, in immaculate school uniform, carrying their exercise hooks, shoulders erect, and walking miles to-and-from school.

There is also a marked absence of men of working age. And that says a lot about the homelands: the men go to South Africa for jobs.

South African policy towards the bomelands is constantly *evolving*. It is a *myth* that the principles of separate development were set out for all time by Dr Hendrik Verwoerd in the 1960s. There had been homelands or tribal reserves before opartheid was so sharply defined, and the bomelands of the mid-1990s are not exactly what Dr Verwoerd bad in mind. No doubt they will be different again by the early 1990s.

There are 10, altogether. Only four bave opted for independence on the Verwoerdian lines: Bophuthatswana, Ciskei, Transkei and Vende.

A fifth, KwaNdehele, may follow next year. That means that they can conduct relations with South Africa as if they were foreign states, though their independence has not been recognised abroad.

One nf the original purposes of the Verwoerdian policy, also pursued by Verwoerd's successor, Mr B. J. Vorster, was to deprive the people of the homelands of their South African citizenship.

Dr Connie Mulder, then a cabinet minister, said in 1978: "If our policy is taken to its logical conclusion as far as black people are concerned, there will be not one black man with South African citizenship."

That approach seems to have been officially ohandoned in a speech to the South African Parliament by President Botha on April 19 this year wben he suggested that loss of citizenship was no longer necessarily irrevocable.

Citizenship

It was the argument about citizenship that played a large part in the other bomelands declining to become independent, notably KwaZulu, the most populous of the lot. Chief Buthelezi, the Zulu leader, believes that he and his people are at least as much South African as anyone else in the country. He also leads Inkatha which, altbough predominantly Zulu, is the most powerful hlack political movement within South Africa. It is committed to non-violence.

Along with KwaZulu, the other non-independent homelands are Lebowa, Gazankulu, Kangwane, QwaQwa and, for the present, KwaNdebele. Independent or otherwise, bowever, the main characteristic of all the homelands is that they are almost totally dependent on South Africa economically and financially.

South Africa supplies most of the money for whatever internal development there is in the homelands, and the bomelands provide much of the labour that is essential to the economic development of South Africa.

Despite the oscillations in South African policy over the years, an unmistakable trend has become clear: the bomelands have *dormitory towns* which exist to ply the Republic with migrant or commuter workers.

Economic development in South Africa is highly concentrated on a small number of geographic regions. The core is the Pretoria-Witwatersrand-Vaal Triangle which includes Johannesburg. There is also the Durban area, on which the Triangle is dependent for access to the coast. Then there are the Cape Peninsula and the Port Elizabeth-Uitenhege region.

Those metropolitan areas together account for around 75 per cent of South Africa's manufacturing output and about the same amount of the country's employment. They are the places which need labour.

Although it has not quite been officially defined lika this, the policy is to promote a viable proximity between homeland towns and white development areas. The 10 largest towns in tbe homelands are all within 20 miles of the nearest white town or city, and some of them almost on the doorstep.

In the past two years, the Government has gone in for decentralisation. But the principle remains the same: locate the chosen development areas close to sources of black labour. The Government has said that in its planning it is taking into account the international standard that a maximum travelling time of 90 minutes between home and work place is acceptable.

What the authorities are trying to do is to find a strategy for economic growth that does not wholly overthrow the principles of grand apartheid: keeping the ethnic communities socially apart, and especially the hlacks and the whites. They are seeking to rida two horses at once.

There are some nhvious disadvantages, both for South Africa and the bomelands. It is very unlikely that the homelands will take off economically, however beavily subsidised, if one of their main functions is to supply the Republic with labour. Whether migrants or commuters, they tend to spend much of their earnings in South Africa. Besides, the *homelands* are deprived of their manpower.

Much the same goes for agriculture, only more so. While it is not generally true that the bomelands have the least productive arable land, they are at a *disadvantage* in developing it because of the density of the population.

They are not encouraged to go in for modern ogricultural methods which would displace people. White farming bas been mechanising for some time, which is one nf the reasons the population of the homelands has been growing: white farmers have shed labour and it had nowhere but the homelands to go to. Again, there is no reason to believe that every black wants to become a small farmer, any more than would every white.

As the accompanying map shows, the population of the homelands has been growing steadily over the past 20 years nr so to the point where it is about 35 per cent of the population of South Africa. But not all that much of it is economically active. Current South African policy is based on pumping money into the bomelands while using their labour in the Republic, which really does mean running two economies at the same time.

Nevertheless, the bomelands are a longstanding part of South African history. They cannot be wished away. They could become elements in a more democratic federal state if South Africa were to move in that direction. Chief Buthelezi says: "We shall remain Sonth Africans until the day we die," and his own extensive commission of inquiry into what hlack Africans want found that nearly half of the KwaZulu population saw same value in the existing level of self-government.

The homelands could use their potential power by talking more to each other, then confronting the Government together. At present, bowever, that seems a long way off.

'Nothing is simple in South Africa'

A land of contradictions

First impressions

MALCOLM RUTHERFORD

THEY HAVE Bibles on South African Airways in thosa pockets in front of the cabins where other airlines might carry *Time* magazine, *Punch* or the *Economist*. The stewards are over-attentive, plying you with more than you could possibly want. South Africans want to be loved.

Religion has a lot to answer for: almost everything that is being done in South Africa is being done in the name of one religious sect or another. On Easter Sunday, thousands upon thousands of black South Africans from the Zionist Christian Church turned up to hear President P. W. Botha, mildly to applaud him and see being conferred on him the freedom of a city. President Botha quoted from *Romans* on the need for order, adding that it was necessary to adapt in order to survive.

It is a myth to suppose that all hlacks are united in their opposition to the system, or that all whites are united in their defence of it, either. South Africa is very sectarian.

Viewpoints

Other clerics march the other way. Dr Allan Boesak, a coloured, not a black, is a member of the Dutch Reformed Churcb which is supposed to be a bastion of the Afrikaners, yet is now a leader of the United Democratic Front and is opposed to any talks with the Government, sbort of on the basis of one-person, one-vote. He was partly responsible for inviting Senator Edward Kennedy to Sonth Africa.

Desmond Tutu, now the Anglican Bishop of Johannesburg has won worldwide renown by being awarded the Nobel peace prize, bnt there are those who argue it would have been much better for everyone concerned to have given the prize to Chief Buthelezi, who leads his people in more practical ways.

South Africa prides itself on its infrastructure. Yet much of the motorway between Johannesburg and Durban—the main industrial axis — is appalling. Some South Africans drive like lunatics, headlights full on on single carriageways, to the point where there must be something psychological about it.

Tha authorities know about this and constantly warn against it. The headlines at Easter were dominated by traffic accidents. One almost waited for the Irish analogy: more people killed on the roads than by terrorists. It did not quite come like that, hut it is true. White South Africans are far more likely to drive themselves to death than be attacked hy revolutionaries.

The hlacks, on the whole, walk, at times for miles and miles. Even in Johannesburg, which has become very visibly a black city, you can play a game of counting the number of hlacks in cars against the number of blacks on foot. The ratio is at least 100 to one. Very few whites walk anywhere.

Sonth Africa is both over and under-planned. Some of the roads round Cape Town are superb, but there is not much traffic. Cape Town, indeed, looks like a fading colonial city—in the wrong place for modern industrial development and with no proper hinterland.

Nor is it really a retreat for white liberals. I took Allan Boesak for a drink in one of the main hotels. It turned out to be something of a theatrical event. Some of the black waiters came up to shake his hand. Others, including the guests, just watched.

At hreakfast the next morning a white South African lady came up to me and said in tones that she obviously supposed to be dulcet: "Are you a reporter?"

She went on: "Don't do anything to hurt those poor blacks out there."

Reportera, she suggested, are dangerons. Nothing like that happened in Johannesburg.

Along the coast Port Elizabeth and East London also look decaying. The central street in East London had shop after shop full of the most disgusting furniture I have ever seen. Cockroaches came out of an empty, bnt open, restaurant. Yet, again, the infrastructure is impressive.

Current Government theory has it that both tha eastern and western Cape, like the Johannesburg area, are already over-developed. Industry ought to be relocated. That seems to me a major misperception. Even the most edvanced parts of South Africa still have facilities and resources which are under-used. It will require enormous expense to try to direct industry elsewhere.

This is the heart of the matter. The Government is trying to run a policy of economic growth that is dependent on black labour, but it also wants to keep the hlacks *socially and politically separate*. It involves the constant movement of the black population.

Ministers talk about a move to market economics, but it very rarely asks how many growth centres the economy can sustain or what cach new politically designated growth centre can offer industrialists.

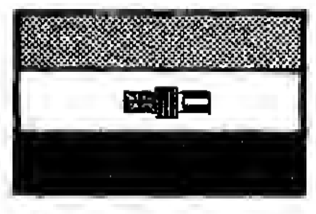
In short, it is not really *market economics* at all since *apartheid*, by definition, is opposed to the free movement of labour.

In some curious South African way, it might work, but one cannot escape the impression that the country is running two economic policies at once: one tn bring more hlacks into the labour force, the other to prevent social integration. Such dualism costs money.

In other ways, the dualism which is o characteristic of South African society can be rather more admirable. The country may have barsh laws, hut it still bas en independent judiciary. Uitenhage, near Port Elizabeth, wbere the police are alleged to have killed at least 19 people nn e single day in March, turns out to be a pleasant wbite town with black settlements on its edges.

The Government quickly ordered an official inquiry. The sight of Mr Justice Kannemeyer, a Rbodes scbolar, presiding over it was reminiscent of Lord Justice Scarman conducting the inquest into the race riots in Brixton, four years ago: elderly men seeking the truth.

Parliament, too, bas its flashes of independence: for example, the Speaker, in Westminster-type robes and wig, ruling against President Botha's insistence that the *Uitenhage* shootings should not be discused until the official inquiry was complete.



'It is a myth to suppose that all blacks are united in their opposition to the system, or that all whites are united in their defence of it, either. South Africa is very sectarian.'

Even the press is not quite as limp as is sometimes claimed: South Africans learn how to read and write between the lines.

The country's leading liberal paper, the *Rand Daily Mail*, appeared for the last time on April 30, mourned hy its 116,000 regular buyers but not by the Government which it had criticised for decades.

Broadcasting

The voices on tha English language service of the South African broadcasting system sound like the BBC before it went in for regional accents. Quite possibly, the news-readers on the wireless still wear dinner jackets for evening hroadcasts.

South African TV, while I was there, introduced a fourth *channel, mainly for entertainment*. The press complained that too many of the programmes are American. That is because the British actors' union, Equity, does not like its members to appear on South African screens—one of the silliest instances of sanctions I have ever come across. Television is playing a key role in South African reform: witness the way American programmes show hlacks in a position of power, as though it were the most natural thing in the world; and witness the recent debates on American television between black and white South African leaders, parts of which were shown in the home country. The press asked: "Why can't we heva programmes and debates like that of our own?"

The most impressive person I met was Chief Buthelezi. Dr Gerrit Viljoen, the Minister for Co-operation, Development and Education and a possible successor to President Botha, ran him close with studies ot Pretoria, Cambridge, *Leyden*, and the Sorbonne.

If only those two could get together!

Two other oddities: all South Africans refer to traffic lights as robots, which is confusing until you get used to it, and in the Jobannesburg Art Gallery alongside some prominent modern British sculptures and not far from the French Impressionists is a large montage composed entirely of cuttings from the prices page of *The Financial Times*.

Nothing in South Africa is simple.


Suburban dwelling in Pretoria

Population totals

Blacks	22,803,688
Whites	4,822,745
Coloureds	2,803,174
Indians	873,000
Total population	31,305,607

White population

● *Today 4.8m* whites control the lives of 26m blacks and coloureds. By the end of the century, there will be 5m whites and nearly 40m blacks

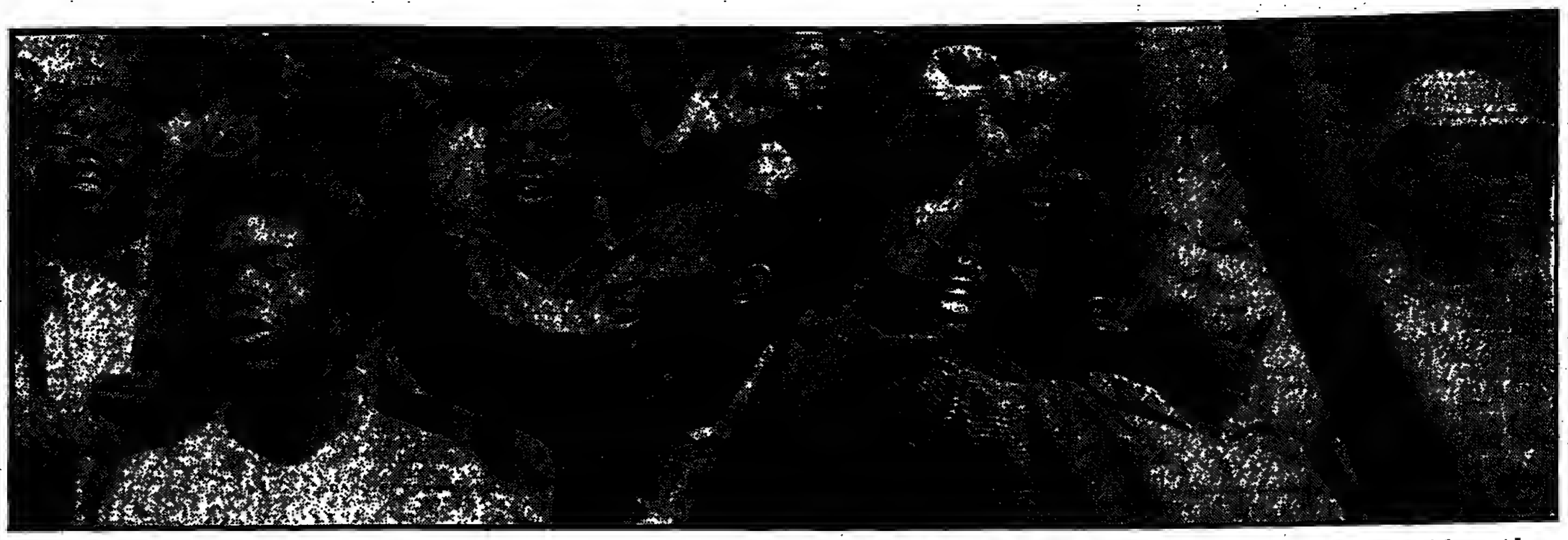
Province	Population mix	Number	% of total white population
Transvaal	various	2,588,441	53.63
Cape	various	1,289,080	26.73
Natal	mainly English	586,018	12.15
Orange Free State	mostly Afrikaner	334,998	6.94
Various homelands	various	26,268	0.55

THE SOUTH AFRICAN political scene is in a confusing state of flux. Turmoil and division within the dominant African community are compounded by long standing differences between Afrikaners and English speakers as the National Party gropes for a new consensus of the centre.

The debate over the new constitution continues and this has proved divisive among the coloured (mixed race) and Asian communities it was designed to bring into the political laager.

Unrest and violence have become endemic in black townships throughout the country but blacks, *impatient* for economic, social and educational advancement as well as political representation are also bitterly divided and many of their leaders in jail or exile.

Despite the diversity of viewpoints within the black majority, all are agreed on the fundamental principle that apartheid must be abolished and, with it, all the restrictive laws on travel, work and residence for blacks.



● Trade unionists, above, at a May Day meeting in central Johannesburg, chant at riot police who lined the street. The police were armed with semi-automatice R1 rifles, seen for the first time in the city centre.
● In contrast below a tranquil scene in a Stellenbosch vineyard.

United against apartheid

Complexity of black politics

ANTHONY ROBINSON

THE WHITE policemen who shot and killed 19 people at Langa, near Uitenhage, on March 21, told their superior officers that they only realised that it was the day of the 25th anniversary of the Sharpeville massacre after they got back to base.

It was an astonishing admission about an event which has bedevilled black and white politics for a quarter of a century. For Sharpeville led to the Government's decision on April 8, 1960, to outlaw the African National Congress (ANC) and its black consciousness offshoot, the Pan African Congress (PAC).

Both movements went underground and, from there, almost in desperation, the ANC moved eway from the policies of peaceful change, espoused since its formation in 1912, towards a policy of violent overthrow of a Government which had blocked off avenues of peaceful change.

A quarter of a century later, the ANC almost certainly commands a greater allegiance and prestige amongst blacks than et tha time of its banning, despite the fact that many of its leaders are either still in jail, like Nelson Mandela, Govan Mbeki and Walter Sisulu, or in exila, like Oliver Tambo.

Its prestige has also survived the relatively poor showing of its military wing called Umkhonto We Sizwe (Spear of Nation) which has had little success against white South Africa's powerful armed forces and aecurity network.

After the Soweto nprising in June 1976, over 4,000 angry black youths crossed the border to receive military and other training in the independent black states.

Prime targets

After the Nkomati Accord of March 1984, with Mozambiqna, ANC bases were closed and ANC personnel expelled. Be they in London or Lusaka, the ANC in exile is circumscribed and watched.

Strong presssure continues on Swaziland, Lesotho and Botswana to end or restrict ANC activity there and control infiltration rontes.

Nobody who has visited the black townships and attended political rallies or funerals of unrest victims could ignore the vitality of the ANC and the popularity of its songs and symbols. Coffins are frequently draped in tha black, yellow and green ANC flag and lowered to ANC songs and the clenched fist salute. Speeches are interspersed with rhythmic shouts of "Tambo, Tambo" or "Viva Mandela."

Whether an ANC leadership which has spent over 20 years in jail or exile actually has the political cohesion and negotiating skills to capitalise on its vast prestige is, however, an open question. It will remain so until the Government plucks up enough courage to un-ban the organisation, free its leaders and negotiate with them.

Conditions

President P. W. Botha made the first half-hearted move in that direction in January when he offered to release Mandela and other ANC leaders on condition that they renounced violence and agreed to abide by the laws of the land.

As if to undarline what abiding by the law entailed the offer to free Mandela was accompanied by the arrest of leaders of the United Democratic Front (UDF) on charges of treason under the Internal Security Acts for actions connected with opposition to the new constitution.

The offer was rejected by Oliver Tambo in Lusaka and by Mandela from Pollsmoor Jail, through a letter read out by his daughter, Zinzi, at a UDF-organised rally in a Soweto stadium.

In his letter, Mandela referred to Tambo as "my greatest friend and comrade for nearly 50 years . . . there is no difference between his views and mine."

The emphasis on unity between external and internal leaders was clear. But the reality may be more complex in a movement where traditional black nationalism sits uneasily with the Marxist strand, represented by the *South Africa Communist Party.*

Meanwhile, as the Government debates how and when to approach tha ANC in search for a realistic dialogue, it reserves much of its critical attention to the United Democratic Front which it believes is essentially an ANC front.

The UDF was launched 18 months ago as a multi-racial, umbrella type organisation undar which a broad coalition of church bodies, trade unions, ethnically-based radical organisations like the Natal and Transvaal Indian Congresses, and local interest groups could coalesce to fight against the new constitution.

Since its first campaign against elections to the new coloured and Asian Houses of Parliamant it has movad on to seek cioser co-operation with the trada unions, links with foreign anti-*apartheid* groups and campaigns against conscription as well as *apartheid* laws in general. It claims over 2m members from over 600 affiliated organisations.

Tha churches, especially those with large coloured and black membership like the Catholic, Methodist, Anglican and coloured reform chnrches, are also active in the UDF. Its 15 "patrons" includa Bishop Desmond Tutu, the black Nobel Peace Prize-winner who recently became the Anglican Bishop of Johannesburg, and the Rev Allan Boesak, the coloured president of the World Alliance of Reformed Churches, as well as Mr Nelson Mandela.

Not all the churches are as radical as these traditional Christian chnrces who see *apartheid* as a moral abomination to be abolished.

Over tha Easter weekend, President Botha and his wife, Elize, were guests of honour at the annual gathering of the faithful of the Zionist Christian Church at Moria, near Pietersburg, in the Northern Transvaal.

The 4 to 5m-strong Zionist Christian Church, under Bishop Barnabas Lekganyane, is deeply conservative. It gathers support from the less politicised blacks in urban and rural areas who look for consolation, rather than social and political advancement, from their church leaders and are responsive to calls demanding respect for the constituted anthorities.

Reception

The president was delighted with his reception at Moria, which was polite, bordering on the obsequious. It gave added strength to his stated belief that most blacks are conservativa and seek improvement in their material standards, rather than formal political emancipation. There is backing for the President's assumptions to be found in various surveys of black opinion.

It is impossible to ignore tha increasing radicalisation of township blacks, and especially students, trade unionists and the young. Raligion and black nationalism may be the dominant ideological strands in black politics, but the Marxist ideas of socialism and Lenin's ideas of the role of the organised *avant-garde* are falling on fertile ground among the young.

The "black consciousness" ideas fostered by the PAC and given fervour and coherence by Steve Biko, killed during detention by the Secret Police in 1977, live on, mixed with Left-wing socialism in movements like the Azanian People's Organisation (Azapo) and its student wing, Azaso. They also permeate other etudent organisations such as COSAS, the Council of South African Students.

Azapo first came to the attention of a wider world andience in January this year when banner-waving Azapo youths dogged the footstaps of Senator Edward Kennedy and gave many their first inkling of the divisions within the black body politic.

Kennedy was reviled by Azapo as a "capitalist stooga of the CIA" and a self-seeker who cared little about the real struggle for black liberation within South Afica.

Azapo opposition to the UDF organised Kennedy visit also revealed a basic divergence between the racially exclusive Azapo philosophy and the multi-racial approach of the UDF. Mutual antagonism surfaced again at the mass funeral of the victims of the Uitenhage shootings when UDF security guards turned back people with Azapo T-shirts and slogans.

Despita these rivalries, however, there is little donbt that creation of countrywide organisations such as the UDF, the various student organisations and trade unions, and the underground ANC network, has been a potent influence behind the unprecedented geographical spread of recent township unrest.

Not only township dwellers and workers have been politicised, but also those in the Homelands and rural areas. Whether activists are a cause of unrest, as the Government alleges, or whether the new political awareness has arisen from the widespread nature of black discontent with *apartheid* laws, unemployment and high prices is a moot point. Bishop Tutu continuously repeats: "If you have a nail in your shoe, you do not need an agitator to tell you your foot hurts."

As the Government and business, grapples with the task of trying to find responsible and representative black leaders with whom to negotiate the man who stands out is Chief Gatsha Buthelezi, Prince of the Zulns, Chief Minister of the Kwazuln Homeland and President of Inkatha, the best-organised and most tightly knit of all black political organisations.

He is ona of the most controversial figures in contemporary South Africa. A fierce but reasoned critic of apartheid, and the new constitution he is, nevertheless, seen as a dangerous collaborator by activists within the UDF and other black organisations.

For his part, chief Buthelezi tirelessly criticises the UDF for setting black against black and claims that he, not the exiled ANC, is the real standard bearer of original, non-violent ANC philosophy.

Largest tribe

The main support for Inkatha, which claims a million strong membership, comes from amongst Zulus, the largest black tribe with prond war-like traditions. The Zulus are feared by Tswana, Sotho and other major tribal groups who remember the depredations of Zulus "impis" in the past and are remembered by the British Army which fought a series of Anglo-Zulu wars in tha 19th century and finally won, after several bloody defeats, thanks to superior weapons.

Inkatha membership is not exclusively Zuln, however, and the refusal of Chief Buthelezi to give in to Government pressure to make Kwazuln an independent homeland and so deprive 6m people of their South African nationality has won respect from many blacks, as has his opposition to other government policies.

In January, for example, he contemptuously dismissed President Botha's offer of a new non-statutory "Forum" saying: "There is no way in which we, as the African majority, can accept being fobbed off with such lousy political crumbs."

Chief Buthelezi, and the articulate, educated men who work with him, such as Mr Oscar Dhlomo, the movement's Secretary General, is a strong opponent of disinvestment, recognises whita fears of being swamped by a one-man, one-vote system and advocates a form of federalism, both locally between Kwazuln and white Natal, and nationwida, with built-in guarantees for minorities, including the white minority.

Despita tha complexity and diversity of views and positions within the black majority, however, all are agreed on the fundamental principle — that apartheid must go and with it all tha influx control, pass laws and other laws which restrict the freedom of blacks to travel, work and reside. They also demand the abolition of Homelands which deprive them of South African nationality and citizenship — in other words, their birthright.

Afrikaner tribal paradoxes abound

Divisions in Afrikanerdom

JOHN STEWART

IT IS easy "to get the Afrikaner tribe wrong," say observers. It has a long history of divisiveness, but somehow it has held together. At times, the unifying bonds weaken; at others they are strengthened by cathartic events or charismatic leaders.

At root, the Afrikaner is a creature of isolation, though with an exaggerated sense of his place in history. And of history ha remains captive. The tribal culture is a curious blend of infinite capacity to endure hardship, of Old Testament stoicism, a thirst for the land, bellicose patriotism, individual courage and derring-do, alternating with collective deference to authority which sometimes descends into moral cowardice.

Tribal paradoxes abound: the character lurches from rebelliousness to obsequiousness, from dour to profligate, from reckless to prudent, from conciliation to mulish defiance. If the tribe has a pervasive flaw it is a propensity to paternalism. Throughout history Afrikaners have been trying to escape the paternalism of their brothers, what the best-loved Afrikaner poet, N. P. van Wyk Louw, called *Die Ewiga Trek* (The Eternal Trek).

In an essay of that name he identified a number of landmark rifts in the tribe, starting with the Great Trek in 1838 when Boers at the Cape were torn apart on the question whether or not to join the trek away from British rule.

To this day there are scornful jokes about Western Cape Afrikaners who are sometimes referred to by Transvaalers as people whose forebears failed the medical for the Great Trek. Subsequent traumatic divisions in the tribe arose from questions of language (whether to use Afrikaans or Dutch in the churches), and the Boer War (many thousands refused to fight the British, incurring on descendant families the pejorative label of hensopper, literally hands-upper).

Conflicts

Later, there were appalling rows over the flag, the Bible, the official language and the founding of the 1961 Repnblic. Major political splits occurred in the National Party in 1969 and 1982, the latter over Mr P. W. Botha's cautious moves towards reform and limited power-sharing with coloureds and Indians.

The dilatory pace of reform since then is a measure of the depth of unease in Mr Botha's government about the extent of divisions in Afrakanerdom. It is easy to see in the profound lack of self-confidence and innovative assertiveness that marked the first three years of the Botha administration.

The most pervasive fear in the National Party leadership seems to be the fear of being misunderstood. Reform/change is easy to misunderstand and that is why Nationalist Afrikanerdom is in a state of divisive equilibrium. It is not just that brother is divided against brother. Individuals are divided in their own minds.

Basically, it may be a class struggle. Urbanisation and rapid economic growth may have alienated academic, political and business elitists from people who live in what Afrikaners call the *onderdorp*, the poor part of town or the wrong side of tha railway track. These seem to be the Afrikaners who are "straying" from the Dutch Reformed churches to the populist religious sects. They may be the people who feel more secure in the uncompromising and unambiguous political parties such as the Herstigte Nasionale Party and the Conservative Party.

The problem confronting Mr Botha and other genuinely dedicated reformists is that it is easier to exploit fears of racial domination (by blacks) than it is to exhort people to adapt to the unknown or die.

What makes the situation even more difficult for National Party Afrikaners with a less narrow world view is the fact that the party still houses many closet conservatives whose loyalty to the party is exceeded only by their fear of losing a job in Parliament.

To make any eort of headway with his reform programme Mr Botha has to keep his intentions as vague as possible. This confuses Afrikaners who would be inclined to support him. But it does not eppease those who do not.

This is why it sometimes does no harm to the leadership image to exercise repressive controls over unruly elements of the population. With progressive and conservative elements in the party so evenly balanced, reform becomas difficult, even where genuine political will exists.

It is not surprising, therefore, that perceptible divisions have developed among progressive Afrikaner businessmen, politicians, professionals and academics and tha broad mass of centrist supporters of the National Party who, for want of e better description may be called verligtes, or enlightened thinkers, as opposed to their conservative, fundamentalist brothers in the Right-wing parties.

According to verligte Afrikaner Professor Willie Esterhuys of Stellenbosch University, verligtes have no objection to "the dismantling of all forms of apartheid and discrimination; continued democratisation of South African society and the extension of political participation to all South Africa's population gronps . . . also a more just division of the economic and social edvantages and the creation of lagitimate negotiating bodies on which legally elected leaders will sit." But they are not in favour of black majority rule, although they are prepared to share power with blacks, provided it is in acceptable form. Thus they have no objection to negotiations with the African National Congress. They think that the detention of people and the banning of organisations do not offer a solution to South Africa's problems. They are opposed to forced removals and heavy handed clearing of squatter camps. Above all, this group is convinced the Netional Party is the most suitable vehicle to achieve their policy objectives.

By contrast, a new group, called neo-verligtes, owes allegiance to no political party. Moreover, whereas the verligtes maintain a political agenda of non-negotiable issues, such as universal suffrage in a unitary state, a fourth parliamentary chamber for blacks and a national convantion, the neo-verligtes have an open-ended approach to such crucial questions. The new progressive group comprises mainly free-thinking Afrikaner academics and a smattering of lawyers. It is not yet possible to speak of them as a movement. But their time may come.

Extremes

At the other extrema are movements like the Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement) a militant, if not paramilitary organisation whose laader, appropriately named Eugene Terre Blanche, says things like "Botha has capitulated, like the white minorities in other African countries. In the present economic climate, you are courting revolution if you give an unhappy person political power without the ability to better his own economic position.. I have a genuine fear that that will mean the end of the white man and the order that ha has created here. Botha knows he will not be voted in again by whites only. The conservatives will taka Transvaal and the Free State in the next elaction as sure as I am sitting here. I think apartheid is the most fair and just principle on Earth. It does not ask of the black man what it does not ask of me. It is the only way in which two clashing cultures can co-exist without friction and conflict."

Blacks in urban areas: a demographic time bomb

A DEMOGRAPHIC time bomb is ticking away beneath the politics of apartheid and nowhere is this felt more clearly than in the rapidly changing attitudes towards the future course of black urbanisation.

According to the *apartheid* blue-print drawn up in the 1960's by Dr Hendrik Verwoerd, the map of South Africa by the start of the 1980's would show white cities and farms serviced from black Homelands, populated by unenfranchised hewers of wood and drawers of water.

Issue of the black population in white areas

ANTHONY ROBINSON

The twin forces of industrialisation and rising population have been stronger than the whole panoply of influx control laws. Despite the fact that 18m people have been arrested during the 60 years that influx control laws have been in operation, millions of black people have been forced by economic necessity and the desire for self-improvement to settle, illegally if necessary, in and around the white towns or in make-shift urban settlements on the fringes of Black homelands closest to the white urban centres.

This year, in two major speeches by President P. W. Botha and Mr Gerrit Viljoen, Minister for Co-operation, Development and Education (successor to the old Ministry for Bantu Affairs), the National Party Government implicitly recognised that the old Verwoerdian blueprint is dead and that blacks have a permanent place in "white" South Africa.

Announcement

Less than two weeks after President Botha announced at the opening of Parliament that the Government accepted the reality of a permanent black population and the need to give urban blacks a form of political representation, the world's attention was focused on the country's urban problems by the explosion of violence. This left 18 dead at the Crossroads squatter camp less than 25 kilometres from parliament buildings in Cape Town.

Many people around the world probably drew the conclusion that the Government's talk of a new deal for urban blacks was a sham and that behind the rhetoric of change the old brutal application of force to maintain racially divisive apartheid remained in all its ugliness and inhumanity.

Certainly, as underlined by the Sharpeville anniversary shootings at Uitenhage, the police have lost little of their tendency to shoot first and ask questions afterwards when faced with large numbers of angry and suspicious blacks, faced with forcible removal and the destruction of their fragile, makeshift homes.

The speed with which Mr Gerrit Viljoen came forward to defuse the Crossroads issue by reversing the former policy of *total demolition* and removal was the fruit of much more than a public relations gesture.

In a keynote speech to Parliament on January 28, Mr Viljoen stated that black urbanisation was "inevitable, irreversible and desirable."

He then added the rider, which so often and so confusingly accompanies major shifts in Government policy that the question was where and how such urbanisation was going to take place.

It is around this rider that the debate now swirls. The Government's view is that urbanisation is urbanisation wherever it takes place and that as far as possible black urbanisation should take place within the black Homelands.

Studies by the Urban Foundation, the privately-funded study and pressure group set up by worried liberal Afrikaner and English businessmen after the 1976 Soweto riots, show that much urban development has indeed taken place in the black Homelands.

In the space of 20 years the urban Homeland population has grown from 1 per cent of a 7m-strong Homeland population in 1960 to 17 per cent of a much larger 11m Homeland population in 1980—and the trend continues.

The bulk of the urbanisation which has taken place in the Homelands has been located at the extreme periphery at the point closest to the attraction of jobs and advancement in the *white cities and industrial complexes.*

Examples of such urbanisation are to be found in the *sprawling shanty towns of* Winterveld in Bophuthatswana some 50 kilometres from Pretoria, Onverwacht, on the outskirts of Bloemfontein and the myriad shanty towns in Kwazulu which in practice, but not in theory, form the outer suburbs of Durban.


● Students answering a lecturer's questions at a commercial high school for blacks, sponsored by the American Chamber of Commerce in South Africa. The emphasis is placed on providing quality education and a proper grasp of the private enterprise system


● Barefoot toddlers play in the pathways of the Crossroads shanty town, some 13 miles from Cape Town, while their parents work in the city. Recent violence left 18 dead in clashes with police at the squatter camp

The multi-million inhabitants of these border dormitories are the forced commuters of apartheid.

In an attempt to keep them where they are, the government is spending hundreds of millions of rand in incentives through its "de-centralisation of industry policy." This is aimed at attracting South African and foreign companies to these out of the way areas.

Millions more live illegally, subject to the daily risk of arrest and imprisonment in backyard shanties in black townships like Soweto, Katlehong or Sebokeng or with friends and relations in the tiny houses for black domestics at the bottom of the gardens of affluent white suburbanites.

Take a walk down any white suburban street, especially in the leafier suburbs of the major cities, and you will meet not whites, who mostly travel in spotless cars, cleaned by their black "houseboys" or gardeners, but blacks. Often these blacks *are just visiting friends* and relations; but, more often than not, they are on their way to or from work and their more or less permanent presence is either ignored or condoned by their white employers who risk a hefty fine if found to be harbouring "illegals." Few things are what they seem in South Africa and white black relations are far more complex than often imagined, abroad.

If the reality is that millions of blacks ignore the pass laws, the group areas Act and the rest of the influx control laws like water passing through a sieve would it not make sense to scrap them?

Nothing would do more to improve the image of South Africa abroad or to convince South Africa's black majority that talk of reform was more than mere rhetoric.

Such seditious thoughts are now being uttered aloud by influential sectors of South African opinion, including the Urban Foundation and much of the business community.

The Urban Foundation has based its arguments on careful studies of urban trends. It believes that all aspects of influx control are negative and discriminatory and should be scrapped in their entirety.

According to the Urban Foundation's findings, reinforced by studies made by Mr Charles Simpkins of the University of Cape Town economics department, there will be 11m blacks in "white South Africa" twice the present number by the year 2000 if influx controls remain in force.

If they are scrapped, the black urban population in white areas will then number around 13m.

The question facing the Government is whether it is worth the continuing hostility of blacks and the opprobrium of the international community to keep the whole expensive *bureaucratic apparatus of pass* law and influx control management for the sake of an additional 2m people.

It is a question fraught with political difficulties for a largely Afrikaner government which has already sailed too close to the wind for many of its more conservative English and Afrikaner supporters. Powerful ammunition for radical changes in urbanisation policy has come from within the bureaucracy itself.

"Research shows that the *maximum urban population which* could be supported by South Africa's water and other resources is 81m which could be reached by the year 2020...*it* would then continue until checked by famine, disease and mayhem."

A little over a year ago, on the same day as the signing of the Nkomati accord with Mozambique, the Department of Health and Welfare unveiled the findings of a careful study into demographic trends. It was swamped by the euphoria which greeted Nkomati. Its findings were re-presented a month ago by Dr Boet Schoeman, chief director of the so-called population development programme.

Research showed that the maximum population which could be supported by South Africa's water and other resources was 81m people and that, if present population growth continued, this figure would be reached by the year 2020. It would then continue growing exponentially until checked by famine, disease and mayhem.

It also showed that the "total fertility rate" (TFR) of whites at 2.08 is already below the population replacement level of 2.1, while that of the Asians is 2.7, of coloureds 3.4, and blacks 5.2. When the TFR of urban blacks alone was measured, the level dropped to the same as coloureds.

The conclusion the programme reached was that traditional birth control methods were insufficient and that the best way to keep population growth down was "rapid urbanisation of the impoverished black population and the subsequent upgrading of living standards with particular emphasis on education, health and housing."

Significantly, spending on all three was increased substantially in the budget presented by Finance Minister, Barend du Plessis, last month.

The study added considerable force to Minister Viljoen's statement that black urbanisation was not only inevitable and irreversible, but also desirable.

Having accepted, in a convincing manner, the need for a change in urbanisation policy, the Government (aided by bodies such as the Urban Foundation) is also giving considerable thought to the complex question of what kind of housing can realistically be built at a cost affordable to its inhabitants and in sufficient numbers to make good the enormous backlog built up over the decades of treating urbanisation as a nightmare to be avoided at all costs.

The key to the new thinking is acceptance of the reality of South Africa as a society in which elements of the First and Third World exist cheek by jowl, a situation shared by many countries in Asia and Latin America where, without the complications of *apartheid* and influx control, affluent city centres are surrounded by shanty towns and favelas of cheap do-it-yourself housing.

As one Johannesburg housing expert explains: "The Afrikaner technocrat has discovered, with enthusiasm, Third World technology."

World economic order provides a hard lesson

Foreign Trade

JIM JONES

OFFICIAL xenophobla has made Sonth Africa a country of lost opportunities. The National party's electoral victory in 1948 led to a clamp on immigration which meant the country did not benefit fully from the post-war wave of skilled European emigrants. This loss was compounded hy white fears of their black countrymen. Afrikaner nationalism'e determination to take full and permanent control of the country not only led to an industrial introversion in which self-sufficiency snd protectionism were preferred to development of export manufacturing industries, bot the edocational and social inferiority it forced npon the black majority blocked tha development of an adequate skilled workforce.

As a result South Africa bas remained a primary producer, suhject to all the uncontrollahle economic vagaries this implies.

More to the point the country risks failing to establisb itself as a fully-fledged first-world economy, along the lines of the Pacific Basin states whicb have founded their industrial development on the export of manufactured goods.

Mineral reserves

It is all very well for apologists to crow aboot the fact that South Africa has the world's lergest reserves of this, that or tha other mineral—this natural endowment does not provide any leverage against trade sanctions which, to varying extents, bave compounded the self-Inflicted economic inefficiencies of *apartheid*. All that the minerals endowment has contributed is to make the country a leading exporter of nnprocessed and semi-processed raw materials.

Under these circumsiances the regular exhortstions to export aimed by politiclans at manufacturers seem pointless. It is simply not possible to convert easily into active exporters manufscturing firms which hsve sheltered behind protectionist barriers and concentrated on import replacement.

The persistent reliaoce on prolection and the emphasis on self-sufficiency at sny cost bave belped create en industrial structure which is in many respects uncompetitive, inefficient and inflexihle. In addition It has, arguebly, increased South Africa's vulnerability to sanctions.

This view may well appear to he contradicted by the glossy proclamations that South Africa is the continent's leading iodustrial nation. There is no disputing that claim. Rather, it has now dawned on individuals, husinessmen and politicians that *apartheid* has left the country less industrially advanced and less able to overcome economic difficulties than might otherwise have been the case.

Government's boldest moves recently have been to scrap import quotas on a wide range of goods and to provida protection by means of tariffs. This has resulted in anguished cries from many manufacturers who claim that imported competition will kill domestic production. Government's stated view, to which it is for the present sticking, is that imported competition will make local industry more competitive and thus better able to compete in export markets.

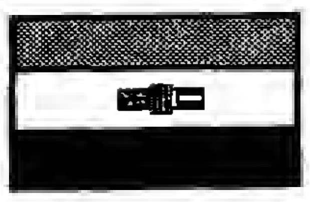
Industrialists are having to absorb the hard lesson that the world economic order bas changed since the start of this decade. Low inflation and persistent real interest rates evailable in most Western countries have combined to flatten gold prices.

At the same time, the economic recoveries of the past few years have been considerably different from earlier ones. In the process, South Africa's trading activities heve been squeezed unmercifully.

The most difficult edaptation bas been to the fact that the gold price is locked into a period of stagnation and that windfall gains are unlikely. Failure to realise this led to *balance of payments constraints* and s sharp end to the brief economic recovery of 1983.

Slnce then It bas become plain that considerably improved trade and balance of payments performances are needed if the economy is to escape from its current economic trough.

The problem with this is thet the industrialised countries' demand for raw materials bas not increased ecross the board. As a result, South Africa is largely obliged to rely on rand weakness to cut import volumes as a means of improving the balance of trade. The rand's decline last year did not, however, have an immediate effect on trade in other goods.



The main threat of trade sanctions comes from the U.S. where there are moves to ban imports of Krugerrands and to prohibit exports of high-tech products

Imports did not fully respond to the falling exchange rate until early this year, while raw meterial export volumes beve not risen particularly sharply in response to tha economic recovery in the OECD nations. As a result the current eccount of the balance of payments only moved into surplus during tha final quarter of 1984.

Some of the trade difficulties bave been beyond the country's control. *Four years of drought* forced South Africa to become an importer rather than an exporter of maize: demand for diamonds has not grown as expected in America: the *world's economic recovery has* been largely consumer based so that while metale such as chrome have been in demand, others sucb as manganese have not ebown comparable growth.

Threat of sanctions

Price-cutting of raw materials does not necessarily guarantee additional sales, particularly ss *many countries determinedly* diversify supply sources, and raw materials producer South Africa has seen terms of trade shift against ber because of ber preponderant reliance on raw *materials* exports.

Matters have not been belped by the emotive and growing threat of trsde sanctions. Despite hrave rbetoric from President P. W. Boths, Forelgn Minister Pik Botha admitted this March thst sanctions would burt the country.

Advocating sanctions is a criminal offence inside South Africa and the threat is being used to rally waverers to the National Party cause. However, for the present the threat seems less real than imagined and consensus appears to fevour the view that if the flow of goods stops from one country it will start from another.

The main sanctions threat comes from the U.S. where there are moves to ban the importation of krugerrands, which comprise about 8 per cent of South Africa'a annual gold sales, and to prohibit the sale of bigh technology products, particularly computers. For example, imports of computers and computer equipment totalled R568m in the first 10 months of last year against R398m in the whole of 1983 and R394m in 1982.

So important is the threat perceived to be that South African Government bas established a special diplomatic division to counteract the divestment movement.

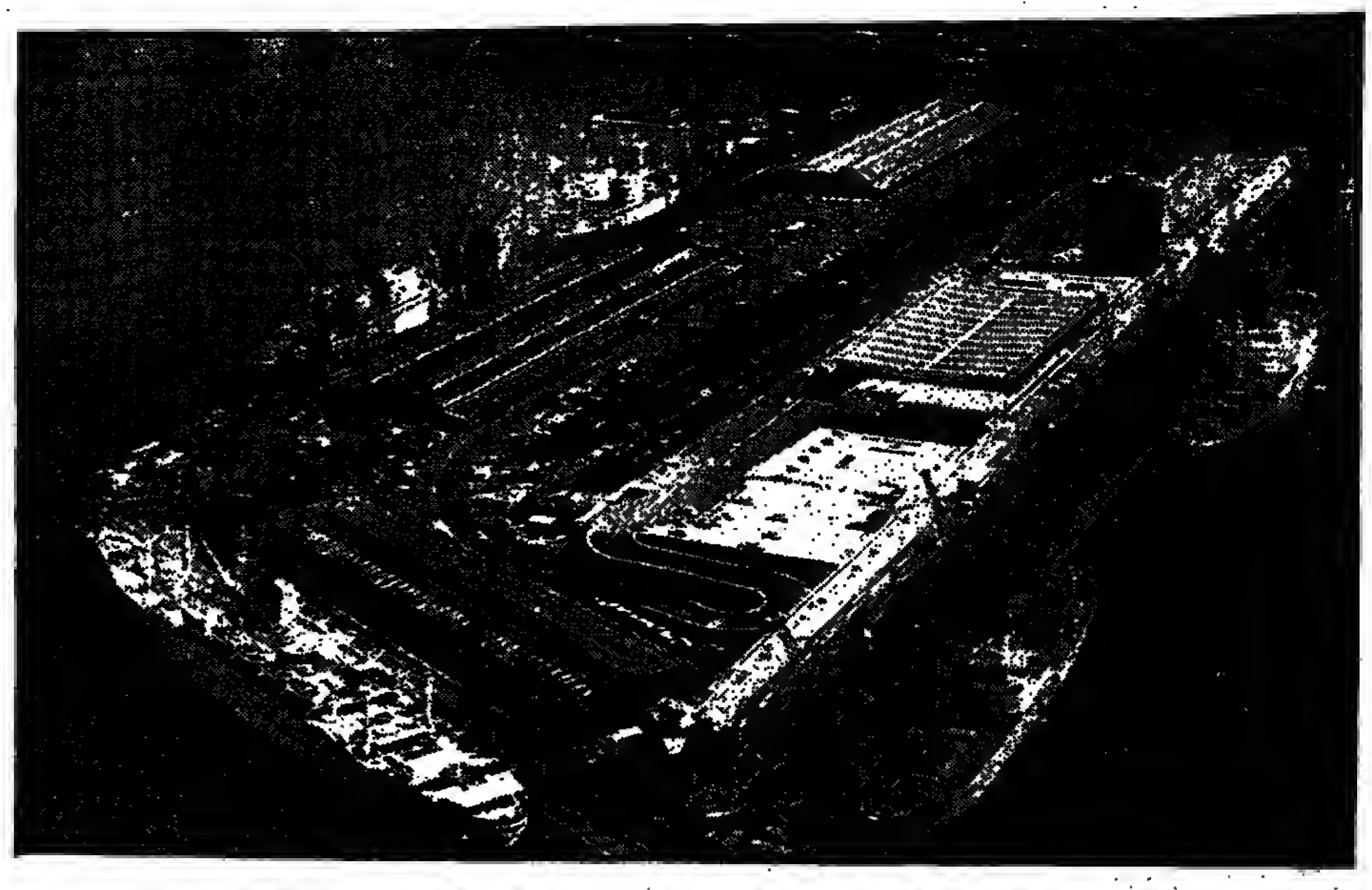
More practically, South Africa bss progressively sought to protect itself from trade boycotts by developing indigenous manufacturing capacity.

An example regularly quoted by politicians eager to assure the electorate thet South Africa can overcome eny difficulty is Armscor, the state-owned arms manufacturer. Details of Armscor's production and sales are kept secret. But though the company has exhibited various pieces of conventional weaponry and ammunition st arms shows sround the world, development of indigenous arms manufacturing capacity has apparently not resulted in appreciable export *orders or* civilian technology spin-offs.

On the other hand It bas resulted in substantial orders from the military for equipment from vehlcle manufacturers such as Leyland and Marcedes-Benz.

As far as military aircraft are concerned, local manufacture has failed. Jet eogines have still to be imported and the *only locally manufactured* aircraft is a jet trainer based on an obsolete Italiao design from the late 1950s. Vulnerability became clear recently when the last Shackleton coastal patrol aircraft were taken out of service. There was no locally-designed product to take its place nor could South Africa buy costom-built equipment elsewbere, despite shrill warnings that this would lead to an end to surveillance of the Cape sea route.

The rand's decline has proved to be a mixed blessing. Not only has it made exports appear more and imports less attractive, but miscalculation of the currency's likely trend has badly affected many companies doing foreign businesses.



The Government's boldest recent moves in the trade sector bave been to scrap import quotas on a wide range *of goods and to provide protection by means of tariffs. Above: the Port of Durban*

Most unfortunate have been those companies which last year believed thst the rand would bottom somewhere above \$0.60 and took forward cover accordingly. In the eveot, the rand dropped like a stone to bit an all-time low against the dollar of \$0.42 early this year. The effect on both importers and exportera was shattering.

In some cases, forex losses could not have been foreseen. Rex Trueform, a clothing manufecturer, bas exported regularly to Hepworth, the Britisb clothing retailing chain, for many years. Last year the South African manufecturer took out its normal forex contracts to cover expected sales only to be forced to undo the contracts at a considerable loss when Hepworth decided to terminate purchase agreements.

On the other side of the coin, importers hsve suffered from the rand's fall and have been unable to pass on the cost to customers. Tedelex, the manufacturer and distributor of con*sumer electrical goods, suffered* a forex loss of more than R100m by taking incorrect cover decisions. Ooe response has been to re-export large numbers of consumer goods. But the *fact remains that* time lags between placing orders and the arrival of imports prevented any real rednction in the nation's import bill in the second half of 1984.

A growing complaint by manufacturers feced with import competition resulting from removal of quota barriers is that they cannot effectively export. Cement producers, for example, who have had to compete with marginally priced imports from Spain, complain that attempts to retaliate by exporting South African cement to Spain Itself are blocked by Spanish import restrictions.

In contrast, trade with the rest of Africa is improving after a setbeck in 1983. Details are infrequently disclosed and exporters are faced with the problem that many African states have little foreign exchange with which to pay for imports.

Counter-trade

As a result, counter-trade has of necessity developed. By way of example Hill Samuel, the merchant banker, bas established an office in Maputo to act as a clearing house for counter-trade between South Africa and Mozambique. At this stage this is principally to facilitate the exchange of South African goods for the provision of export facilities through Maputo harbour and for the wages earned by Mozambican migrant labourers on the South African gold mines.

Government spokesmen have increasingly claimed that South *Africa* is trading with every country on the African continent, despite official disapproval of *apartheid*. Nonetheless, the hasic pattern of trade with the continent bas not varied greatly. South Africa's main exports are cbemicals and explosives to tha mining industries of its near neighbours. These are followed in importance by metal products (largely steel semis and manufactures), machinery and foodstuffs.

Leading imports from Africa, not surprisingly, are textiles, tobacco, agricultural products and matals.

Foreign trade figures

	IMPORTS			EXPORTS		
	1982	1983	1984 Jan-Nov	1982	1983	1984 Jan-Nov
	Rm	Rm	Rm	Rm	Rm	Rm
U.S.	2,897.0	2,467.0	3,154.3	1,322.8	1,753.8	1,942.4
West Germany	2,708.7	2,236.0	3,150.2	865.4	753.4	883.9
UK	2,196.4	1,892.9	2,245.4	1,432.6	1,324.1	997.3
Japan	1,852.2	1,998.3	2,625.5	1,670.7	1,546.7	1,774.2
Africa	332.4	325.7	381.3	904.8	797.1	746.2
Other	8,631.6	7,422.8	8,510.9	13,147.2	14,496.9	16,984.7
TOTAL	18,418.3	16,252.7	20,067.6	19,343.5	20,672.0	23,328.7

Sanctions are a two-edged sword

DISINVESTMENT IS a very serious subject in South Africa. Almost everyone mentions it early on in any conversation about the country's future. It is the latest form of threatened international sanctions, made more formidable by the fact that mnch of the pressure to disinvest is coming from the United States.

Sanctions against South Africa sometimes work, though not always in the way intended.

Disinvestment

MALCOLM RUTHERFORD

There is no doubt thet the ending of e large number of international sporting exchanges bad an effect in reminding the white population of the extent of its isolation from the old, largely white Commoowealth community. South Africans were made to think about wbether they wanted a more multi-racial, internetionally accepted society.

Many of the héadlines in the last few weeks have been dominated by wbether or not New Zealaod will play rugby In South Africa this winter. The New Zealand Government, however, was prohshly right to raise difficulties. Thst is the kiod of pressure that encourages South Africa to reform.

On the other hand, the United Nations han on arms sales to South Africa had a rather different effect. It simply eocouraged the country to develop its own arms industry. Armscor today is ooe of the largest of the country's corporations and is already in the export markets.

Dr Gerbard de Kock, the governor of the reserve hank, notes thst United Nations pressure has shifted from seeking to persuade member states *not* to sell arms to South Africa to persuading them not to buy wespoos produced in South Africa.

Again, the partial oil embargo bas only reinforced existing trends in the search for energy self-sufficiency. South Africa has abundaot coal reserves, can move to gasification, is developing nuclear power and bas acquired extensive oil stocks.

It is true that overcoming ecooomic sanctions is expensive, but South Africa has shown that it hss the resources to do It.

Disinvestmeot fells somewhere In between the sporting sanctions and the economic hecause, at the moment, It is more of a threat than a reality, more talked about than enacted. (New Investment during the recession is, anywsy, not high.) The threat bas the effect of making South Africans think ebout their relations with the outside world and their dependence on the external economy. But ensctmeot would not necessarily force the Government to liberalise: possibly quite the cootrary.

"The disinvestment campaign in the U.S.," says Governor de Kock, "has its favourable side in that it encourages the Government to tighten Its financial policy."

Yet be is really only re-empbasising a point long made by the Reserve Bank. South Africa csnnot afford to get its finencial policy wrong hecause it cannot rely on tha outside world to bail it out. The country already has to be as stringent and as economically independent as possible. Investment from abroad is only the icing on the cake.

Top of the list

It is still an icing to which South Africa would like to bave eccess. Foreign direct investment in the country in 1983 amounted to around R20bn. Britain, followed hy West Germany, were top of the list. The U.S. came third with around 20 per ceot, but the American investment was concentreted in growth areas euch as oil and electronics in whlcb the economy will have to go on expanding. The threat of disinvestment, therefore, causes more than e ripple of anxiety.

So far, the American interest in trying to bring ahout South African reform hy gentle, if increasing economic pressure has probably been beneficial.

In the late 1970s, Mr Leon Sullivan, a U.S. cilvil rights activist who is a non-executive director of General Motors, drafted e voluntary code for American subsidiaries operating in the Republic aimed at reducing apartheid in the workplaca. It includes such aims as equal pay for comparable work, desegregation on the shop floor and the improvement of hlack training.

The European Community adopted a *similar* code later, with emphasis on black membership of trade unions.

Mr Sullivan attended a conference in Britain earlier this year to urge thst both tha U.S. *and the Community codes* should be strengthened. Yet it is bere that you run np against the rigidities of the South African political system.

Companies can be hrought to *accept equality* in the work place. They can make enormous efforts to improve facilities and training and blacks now pley a key role in the trades union movement. But you cannot *easily persuade* the Government to end social segregation outside.

That is where the codes of conduct have reached an impasse. The politics have yet to catch up with the industrial reforms. Caltrex, a U.S. company that has ended working segregation and discrimination admits that after work its employees are obliged to go their separate ways.

Some Americans have reacted hy trying to step up the pressure. There is now a range of proposals before Congress wbicb would make the Sullivan code mandatory, penalise firms that do not fully comply, ban new investment, deny landing rights to South African Airways in the U.S., and perhaps ultimately go for e complete trade boycott. *Mr George Shultz, the American* Secretary of State, spoke out strongly against them in a major policy speech on South Africa on Anril 17 this year.

There are two related reasons why *Congress should pause* for thought. The first is that the evailable evidence suggests that disinvestment and trade boycotts are opposed by a large majority of hlack workers. Tha second is that sanctions would work only at the margins of the South African economy. The country could survive them.

An extensive poll of black opinion was recently undertaken hy Dr Lawrence Schlemmer, the Director of the Centre for Applied Social Sciences at the University of Natal. The interviews were conducted by blacks face-to-face and lasted an average of 110 minutes each.

Only 26 per cent came down in favour of disinvestment, though it is also interesting that a buge majority of black employees regarded American companies more favourably than South African companies in terms of wages, belp with bousing and *edocation, training,* union negotiations and disciplinary practices—a sign perhaps that the voluntary Sullivan code is achieving the right results. IBM reaffirmed in April *that it would stick* to its policy of doing its best by black employees and would not bow to domestic American pressure to disinvest.

Chief Buthelezi, no friend of the South African Government, was in the U.S. in February arguing that disinvestment would burt primarily the blacks, just as it is the blacks who are being hurt by the current South African recession. Even Archbishop Tutu says that the Government should be given another two years to reform before disinvestment is considered.

Substitution

Mesnwhile, the capacity of the economy to adapt to sanctions should not be under-estimated. Some wbltes might even welcome them as an excuse to turn inwards oo the theory that "poor, but white" is better than baving repeatedly to succumb to international pressure.

The scope for import substitution is considerahle, the need for outside capital not all that great, and the Government is presently making no new international borrowing. In the end, says Governor de Kock, South Afrtca under sanctions would be like Rhodesie in the last years of its illegal independence: "a poor quality, high cost economy." The country could still get by, but the desire to promote the black would diminish.

Disinvestment at this stage is a useful threat. Fully applied It might have precisely the opposite effect of whet is intended. It would be nice, but prohahly unrealistic, to think that the threat could be carefully malnpulated.

Still, South Afrtcans should remember that disinvestment and investment ara not just political campaigns or slogans. Investment will come or go largely dependent on bow far tha country is considered a worthwhile risk. That is up to South Africa to determine.

New structure brings greater competition

DEVELOPMENT OF South Africa's financial sector has tended to lag that of other countries, in part because of continuing restrictions on the ability to invest abroad and in part because of a preference by many of the country's managers for sheltering behind protective barriers.

Those barriers are gradually being dismantled, leading to a general blurring of the previously clearly defined differences between financial institutions.

Just over two years ago, by way of illustration, Barclays, the largest banking group, climbed into the home-loan market in direct competition with the building societies.

The experience has not been particularly inspiring as Barclays this year reported losses on its R1.5bn home loan portfolio. Nonetheless, it forms part of an overall move towards the formation of broadly-based financial groupings combining banks, building societies and insurance companies.

At present the building society movement is facing up to new legislation which will dismantle concessions which help protect them from direct competition from the banks but which will also allow them more effectively to compete with the banks.

Fundamentally, the new measures affecting both the banking sector and the building societies will heighten competition for available funds and should lead to fewer distortions in the allocation of funds than is currently the case.

Cash flow

One effect will almost certainly be a structural increase in the cost of money available for home purchases to bring it into line with rates charged to other borrowers by the banks. At the same time, the new regulations will align South Africa's financial sector more closely with its foreign counterparts.

Presentation of this year's budget plainly underlines the paucity of financial options open to a free-spending Government.

With the economy in decline and industrial firms increasingly less able to pay taxes, the Finance Minister, Mr Barend du Plessis, cast around for milch cows and lighted on the banks and life assurance companies. The effect has been an effective deterrent to saving—a charge of 0.25 per cent of the average of end-quarter deposits is to be levied retrospectively on the country's banks while an additional tax of 7.5 per cent of gross income is to be levied on long-term assurers effectively raising their tax rate to 27.5 per cent.

Changes in the financial scene

JIM JONES

While the additional impost will curb banking profits, the banking sector as a whole is far more preoccupied with likely amendments to the Banks Act which could well rein in some of the more creative financing devised to circumvent normal liquidity and capital requirements.

The most popular device has been to obtain funds overseas. Liabilities thus created were not controlled by domestic capital and liquidity adequacy requirements and this effectively meant that the banking sector's entire structure was rendered increasingly risky.

Changes being proposed by the Reserve Bank, the regulatory authority, are to some extent involuntary and stem from the Bank of England's disquiet at the off-balance sheet financing of Barclays and Standard, the two major banks in which British interests have the major shareholdings.

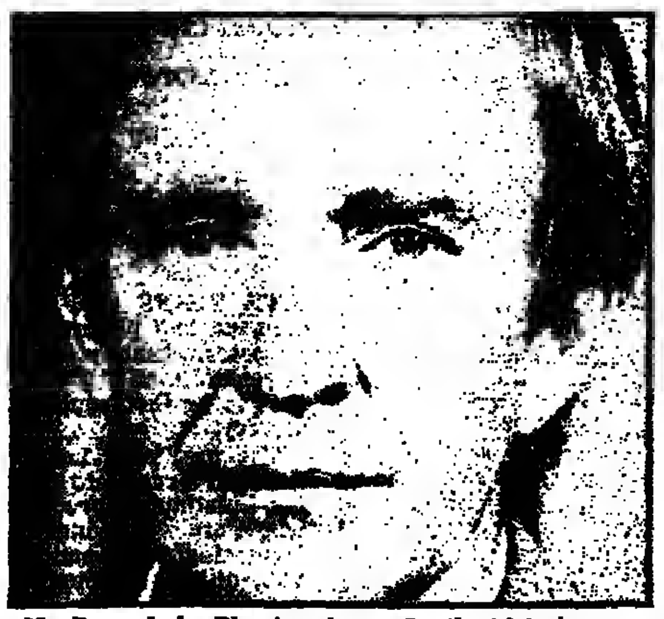
While South Africa has not become a signatory of the Basic Concordat, which regulates banks' foreign activities, the South African Reserve Bank will more closely supervise the foreign activity of the country's banks and more closely align solvency requirements with those in other countries.

The aspect most troubling to bankers is that the basing of capital requirements on the riskiness of assets, rather than on liabilities, will lead to immediate capital inadequacies, particularly for the South African controlled banks. Barclays and Standard have been obliged, because of their parents' need to comply with Bank of England requirements, to maintain assets against off-balance sheet items.

The South African banks, on the other hand, have been less constrained in this respect. In addition, their uninformative reporting standards, relative to those of the two British-controlled banks, have contributed to heightened doubts over their management.

So persistent were rumours of major foreign exchange losses by Nedbank that its executives felt obliged publicly to deny them and to reassure both shareholders and customers.

In March this year, Standard announced an R177m rights issue which would not only ensure capital adequacy ahead of any changes to banking regulations but which also reduced the shareholding of Standard Chartered from an absolutely controlling 50.5 per cent to 41.9 per cent.



Mr Barend du Plessis, above, South Africa's new Finance Minister; gold plays a pivotal role in the economy

Growth despite restrictions

LIFE ASSURANCE has been one of the few areas in the financial sector to report continued growth in spite of the recession. Nevertheless, the trading environment has not been particularly easy and some of the major life offices are having to face up to the restrictions with which they are surrounded.

South African institutions are not readily permitted to invest outside the country and as a result the life assurers have been aggressive buyers of assets at almost any price. The regular cash inflows enjoyed by the life offices have, until recently, been a major factor underpinning equity prices on the Johannesburg Stock Exchange and fuelling the drive for acquisition which has been a major characteristic of recent years.

Cash flow strength has not, of course, left the life offices immune to the economy as a whole. For example, Sanlam, which is the second largest insurance group and which has pursued acquisition and control of key industries with what verges on missionary zeal, was faced last year with unacceptably poor performances by several major subsidiaries.

The group's response has been to hive off control of several major subsidiaries into a new company and to transfer senior executives away from direct responsibility for insurance management to rectifying problems in underlying industrial and mining interests.

In one instance, Sanlam has acquired the troubled, loss-making Nissan motor vehicle manufacturing interests of Messina, a Sanlam-controlled company, and is preparing to inject into Nissan whatever capital is necessary to permit the group to maintain its position in the highly competitive motor sector.

Liberty Life, the third-largest life assurer and the largest proprietary company, has attempted to overcome the constraints of limited domestic opportunities by focusing on foreign investments, by establishing a smaller competing life office in South Africa itself and by closely aligning itself with Standard Bank and the United Building Society, the country's largest building society.

Not only does Liberty believe that the association allows it to develop comprehensive and diversified financial packages for customers, but it also offers considerable diversification opportunities when United changes from being a mutual society to one with shareholders.

Liberty has diversified outside South Africa to a greater extent than its competitors, but this has not been without frustrations. A 26 per cent equity interest is held in Sun Life of Britain, but this has not yet been converted into direct participation in the London insurance market.

Though Liberty's management believes that it can offer insurance expertise to London it realises that breaking into the British insurance scene without the agreement and support of Sun Life's board would be more than a little difficult. Meantime, Liberty is left playing a waiting game.

There are traditionally close links between South Africa's insurance groups and other financial services companies. The trend now is one of a blurring of differences between groups plus the emergence of financial institutions with a far broader operating base than before.

Close associations between insurance and other financial services companies is not new. Old Mutual, the country's largest insurance group with assets exceeding R10bn is the largest individual share holder in Nedbank, the third largest banking group, and has close links with Allied, one of the largest building societies. Sanlam controls Bankorp which, in turn is the controlling shareholder of Trust Bank, while Volkskas, the fourth largest banking group, is a major shareholder in Legal and General.

Short-term insurers have in the past year been forced willy-nilly to re-examine their fundamental marketing strategies. Size and market share, it appears to have been argued, were far and away the most important attributes even if they had to be achieved at the expense of immediate profits.

Views on the desirability of size and concentration of power permeate all sectors of South African business. In the case of the short-term insurance sector, however, it has been pursued by unsustainable methods.

Fundamentally, competitive pricing aimed at garnering business has been at the expense of the re-insurers who were saddled with increasing levels of unsatisfactory risk. They, reasonably enough in the light of persistent re-insurance losses, have made perfectly clear their unwillingness to continue bearing the brunt of uneconomic pricing strategies.

The eight re-insurers operating in the South African market last made a collective profit in 1979 equivalent to 2 per cent of the net premium income. Subsequent years were little short of disastrous. In 1980, the collective loss amounted to 1 per cent of net premium income; in 1981 39 per cent; in 1982 37 per cent; in 1983 9 per cent; and last year in the region of 40 per cent.

As a result, Swiss Re and Munich Re, the two largest re-insurers, have decided to reduce sharply their exposure until the short-term insurers achieve a better balance between rates and risk. Others have yet to follow suit, but Central Re, Norwich Winterthur's South African arm, has needed an additional capital injection from its parent and the same has been necessary for Reinsurance Union, which is owned by 10 South African insurance groups.

The foreign parents of some of the worst affected re-insurers have bluntly told their South African divisions to return underwriting accounts to profitability or face closure. It has led to sharp reductions in the commissions re-insurers pay for business passed to them and re-insurance treaty terms are being increasingly limited by amendments.

The message has not been lost on the short-term insurers. However, their response has not altogether been a success. The executives of all the companies have periodically and publicly stated that rates needed adjustment to cope with increases in risk and the frequency and size of claims.

To some extent the industry could not have foreseen the incidence of an inordinately large number of catastrophes in the past year. Nevertheless, only a small handful of insurance firms have deliberately sought quality rather than quantity in their business mix.

Response to pressures from the re-insurers and from deteriorating claims experiences has been inappropriately structured. Rather than individual companies adopting particular strategies to cope with the problem, the industry as a whole huddled together in a rates cartel which quickly attracted the attention of the Competition Board.

Not only that, but the cartel itself faltered when a few companies decided that they preferred to seek business aggressively rather than shelter under a market agreement which allowed rates to be increased using lower rates to lure customers away.

On the whole, individual short-term insurance firms have been able to support poor underwriting results because investment incomes have been advancing in line with rises in the overall pattern of interest rates. This was insufficient last year, for example, to prevent Mutual and Federal, the short-term arm of the Old Mutual, from reporting an overall loss. It is feared that the general situation could worsen later this year as interest rates decline and returns on investments deteriorate.

Building societies, which have watched part of their home loan function be taken over by the commercial banks, should next year be presented with a diversification choice. A draft bill requiring the societies to hold specific liquid and capital assets against liabilities will be presented to Parliament and will impel the societies to decide whether they will remain as mutuals or will convert to equity bases.

Proposed terms of the bill have led to considerable divisions within the building society movement with Permanent Building Society, the second largest, determined to remain a mutual arguing that the movement has a social function to perform which can only be done by remaining as a mutual. United, the largest, argues the converse and is already planning developments which will allow it to compete in a banking environment.

Essentially, the South African financial scene is one of blurring differences with the emergence of financial institutions with far broader operating bases than before. Diversification, however, does not lessen the problems associated with restrictions on investing abroad and the limitations already apparent in South Africa itself.

JIM JONES

The general prohibition on foreign investment proves to be a major drawback

The sole source of equities

Johannesburg Stock Exchange

JIM JONES

THE JOHANNESBURG Stock Exchange differs from the world's major bourses in one significant respect—it is the sole source of equities for the small number of institutions and conglomerates which dominate South Africa's private sector.

Exchange controls largely prevent South African investors from buying on other markets and, as a result, Johannesburg is characterised by a fear among institutions that if they sell large lines of shares they will be unable to replace them.

This reluctance to sell, and the competitive drive of institutions to find equity homes for their growing cash flows, was directly and indirectly clearly signified in the past year.

An indirect example was the Rand Daily Mail (now closed), which had generated losses for several years. Had the newspaper been published in London it would almost certainly have been sold to someone with plans to restore profitability: not so in South Africa, where asset accumulation has become the national corporate pastime.

More direct examples were the willingness of Gencor, the country's second largest mining house, to pay a high price for Tedelex, the electrical goods manufacturer, and then to support the company with cash injections when it came close to failure late last year. Sanlam, the insurance group, acquired control of the South African Nissan motor manufacturing plant from its previous owner and is preparing to finance a return to profitability; and Liberty Life, another insurance group, readily agreed recently to take up Standard Chartered's rights in the R177m issue of Standard Bank.

The general prohibition on foreign investment is a major drawback for several of the larger groups, which until recently were satisfied by the ability to buy controlling shareholdings in local firms from their erstwhile foreign controllers.

There are few remaining opportunities in this direction, particularly if disinvestment by foreigners is accompanied by an unwillingness to continue providing technical assistance. As a result, major corporations such as Liberty Life, Barlow Rand and Gencor are actively pursuing foreign investment opportunities which circumvent exchange control regulations.

Nevertheless, the overhang of institutional funds remains the prime determinant in the market's overall performance.

There is some light on the horizon with growing talk of privatisation of state-owned companies in the power, steel, transport and communications sectors.

Preliminary moves have already been taken with the recent sale of part of the state's interest in Sasol, the oil-from-coal producer and the state's entire interest in Safmarine, the national shipping line.

Nonetheless, these offerings are quickly and smoothly absorbed by cash-flush institutions, and the same is likely as other public sector corporations are released into private hands. It is unlikely, however, fully to overcome the disadvantages exchange controls pose for conglomerates which together control large parts of the private sector and which believe domestic growth and investment prospects are limited.

Watching the price of gold: the floor of the Johannesburg Stock Exchange

Expectation

In the middle of last year there was a flurry of expectation of a welcome market broadening with the introduction of the Development Capital Market (DCM) sector. It was designed to act as a nursery for smaller and newer companies whose performance records and capital structures would not immediately qualify them for a position in the primary lists.

Though the DCM was originally expected to perform a similar function to that of London's Unlisted Securities Market and attract listings from service companies and high-tech firms seeking venture capital, in the event only four companies were listed in the sector by April this year representing diamond mining, property development and investment.

The net result of this is that institutional investment imperatives have lent support to share prices which, on fundamental grounds, should be lower than they are.

Though gold and other mining company earnings have suffered from the effects of a declining economy combined with the authorities' introduction of increasingly harsh austerity measures.

This, though, has not translated into a steady decline in equity prices. Even though interest rates have risen to record levels, economic recovery prospects appear to be receding steadily and civil unrest has become endemic.

Industrial shares peaked last May. Fears of the effects of economic decline took the index down in September, when a two month recovery set in. Since November, however, industrial and financial shares have been sliding in response to significantly poorer profit prospects as the recession deepens.

The only positive indication at present is the apparent levelling out of interest rates. Demand for debt by corporations and individuals is slowing and the bell-wether prime overdraft lending rate is forecast to fall from its current 25 per cent to about 20 per cent towards the end of this year.

Though some equity prices have tried to rally on this consideration, there is no consensus that an easing of interest rates will compensate for the effect of deteriorating trading conditions on share prices.

For several years, the JSE itself has been regularly criticised by outsiders for its lack of ability to enforce rules designed to protect shareholders. A case in point last June was a deal in which Santam, the country's second-largest insurance group, and an important client of several brokers, acquired joint control with Kirsh Industries of Kimet, the top controlling company of the Kirsh retail and wholesale group.

The JSE argument that an effective change of control had taken place and that a comparable offer should be made to Kimet's minority shareholders was disputed by Sanlam and Kirsh Industries. The desultory squabble ended this March when the JSE backed off and admitted that though it still believed in the correctness of its claims it could not afford litigation nor could it enforce its ruling.

A pragmatic view is that many brokers are reluctant to offend the handful of major institutions which are responsible for most of the market's trading and brokers' commissions.

Commissions

The institutions' clout with the broking community has been sufficient to effect a swing towards sliding scale commissions which favour large share purchase orders. Nevertheless, the JSE committee has set in train developments which could improve the exchange's ability to police trading activities.

The exchange is breaking with its tradition of appointing a non-executive chairman from within the ranks of brokers and is seeking a disinterested, salaried executive chairman who is not a broker. One of his responsibilities will be the effective implementation of the JSE regulations. Another will be to influence quoted companies to improve their reporting standards.

The JSE is unlikely to follow developments in London or New York where institutions have acquired interests in stock-broking firms. Apart from the fact that partners have individual liabilities for their firms' debts, with fewer than 30 broking firms which have more than one partner considerable conflicts of interest could develop if legislation was altered and corporate broking members were allowed into the market.

HERE and on the facing page, FT correspondents examine South Africa's key industrial sector. Gold, in particular, plays a pivotal role in the country's economy, but last year the metal's price drifted down towards the $300 an ounce level, although the rand's progressive decline lifted the industry's rand income to record levels.

In the diamond sector De Beers, which controls about 80 per cent of the world's rough diamond market through the Central Selling Organisation, has continued to pay a high price to retain its hold on a market that is increasingly hard to control.

● Miners (left) from the Vaal Reefs mine, about 150 kms south-west of Johannesburg wait in a bus to be moved to their homes in neighbouring areas. Recently more than 14,000 miners were dismissed following strike action

● The diamond market has been hit recently as sales have declined. The gems (above) were cut in South Africa for the export market

Uncertainty faces the industry

ONE OF the paradoxes of the South African economy is that its health often depends heavily on problems elsewhere in the world.

This has become increasingly apparent over the past six years as high inflation rates and currency turmoil in the OECD countries have given way to non-inflationary economic recovery.

Gold mining

JIM JONES

The financial uncertainties of the late 1970s and early 1980s lifted the gold price to record levels on world markets so that in 1980 when the gold price averaged $617 an ounce, gold mining contributed 17.6 per cent of South Africa's gross domestic product.

Last year, as the metal's price drifted down towards the $300 an ounce level, gold weighed in with 11.6 per cent of GDP, even though the rand's progressive decline lifted the industry's rand income to record levels.

The record dollar gold revenues of five years ago set in train an economic and consumer spending boom in South Africa which foundered on balance-of-payments constraints early last year.

Now, while the world's major economies are advancing, South Africa's is affected by stagflation, austerity and rising unemployment. At the same time the gold mining industry has entered a period of some considerable uncertainty.

While most sectors of South Africa's economy remain affected by recession, the gold mining industry's strong rand-denominated profits have led to increased capital spending which has helped counterbalance depression in other sectors.

The gold mining industry's strong rand cash flow has been lighted on by the authorities as a convenient source of additional tax revenue. The effect of this, industry executives claim, will be to make development of new mines unattractive particularly as most recent developments have relied on favourable tax breaks for their financial viability.

Gold mining tax is structured on a formula which ensures that richer mines with higher profit: revenue ratios pay higher rates of tax than poorer mines with less attractive profit : revenue ratios.

Furthermore, the formula leads to increases in tax rates when gold prices rise and vice versa.

Sweetening the pill of this progressive tax regime, the mines are allowed to offset capital spending against current profits for tax purposes.

Effectively, the tax man picks up a large part of any capital spending tab which has led to the tax-efficient establishment of new mines as subsidiaries or sections of other, operating mines. The capital cost of a new mine is charged against current taxable profits of another with a consequent enhancement of the present value of the new investment.

This tax provision has in recent years led to the development by Gencor, the second largest of the mining houses, of the new Beatrix gold mine in the Orange Free State as a subsidiary of Buffelsfontein even though the mines are almost 100 miles apart.

Gencor also established the ill-starred Belsa uranium mine as a subsidiary of St Helena and has been evaluating the development of Poplar, a gold mining project near the Evander gold field, as a subsidiary of Kinross, an operating mine.

Last year, the Finance Minister, Mr Barend du Plessis, threw the cat among the pigeons by deciding that tax savings from developing a new mine as a subsidiary of another mine would only be available if the two properties were contiguous.

Industry executives complained bitterly about the amendment, warning that it would lead to a moratorium on new mine developments.

They repeated their warnings in March this year when the tax surcharge on gold mining companies was increased to 25 per cent from 20 per cent as part of the national budget. As a result, some mines are now paying almost 80 per cent of their taxable income to the Inland Revenue.

The industry's complaint is justified. Last year, capital spending reached a record level of R1.64bn as rand-denominated gold revenues soared. Mr Robin Plumbridge, the chairman of Gold Fields of South Africa (GFSA), forecast recently that higher tax rates and removal of tax breaks would inevitably lead to the shelving of plans for new mines.

He is echoed by other mining executives who are equally perturbed by the implication that the tax surcharge was introduced because the mines have enjoyed "windfall" profits due to gold's rand price rise.

There is no shortage of new projects on the drawing boards, but many incorporate tax-saving benefits into their reckoning. In the Orange Free State, for example, Anglo American Corporation is planning the merger of Free State Geduld, President Brand, President Steyn and Western Holdings to form a mega-mine milling more ore than any other and able to exploit profitably large tonnages of low-grade ore.

GFSA is at an advanced stage of investigation of gold deposits which might be developed as an extension of the house's Kloof or Driefontein Consolidated mines. Rand Mines is busy evaluating a large tract of virgin ground immediately to the east of Johannesburg and Anglovaal is examining a prospect in the Orange Free State just to the north of the Loraine mine.

The less-favourable tax regime is not, however, the industry's main immediate problem—that is labour. Emergent black unions, particularly the 100,000-strong National Union of Mineworkers (NUM), have made clear that abolition of racially discriminatory job reservation will be the most important subject for negotiation this year.

Three years ago, the Government effectively washed its hand of the matter by declaring that it would not ammend legislation until the white mining unions and the Chamber of Mines, the employers' co-ordinating body, had agreed on how and when the barriers to black advancement should be scrapped.

Desultory talks between the white unions and the Chamber have since taken place without agreement being reached and black miners have grown increasingly impatient with the lack of progress.

A measure of black frustrations is the growing incidence of violent confrontation of strikers with management and police. Frustrations can also be measured by the fact that black miners are increasingly prepared to strike even though this carries the risk that strikers will be fired and replaced by men from the vast pool of unemployed.

Frustrations boiled over in April when almost 18,000 men struck unofficially at the neighbouring Vaal Reefs and Hartebeestfontein mines near the South Western Transvaal town of Klerksdorp.

Grievances were not adequately articulated by the strikers, Vaal Reefs' management told television audiences, justifying its decision to sack 14,400 strikers at the mine.

Cyril Ramaphosa, the general secretary of the all-black National Union of Mineworkers, was in no doubt about the fundamental grievances. The men's complaint is that they are prevented by South Africa's *apartheid* laws from occupying responsible positions underground but are forced to do work reserved for whites even though they are paid substantially lower wages.

Two years ago, the authorities relaxed the rules governing the foreign exchange earnings of the gold mines. Previously, the mines had delivered their gold to the Reserve Bank and received payment directly in rands.

In 1983, it was decided that the mines would be paid in dollars and that they could safeguard revenues by dealing in futures markets. The intention was that the participation of the gold mining sector would increase the scope and size of domestic money markets and help lay the groundwork for further relaxation of foreign exchange controls.

The recent volatility of the rand reduced the monetary authorities' enchantment with free-market principles. This year it was decided that in future the mines would receive only half their sales revenue in dollars which could be traded forward. The other half would be paid in rands at, effectively, spot rates.

Though the change will only have a limited effect on the industry as a whole, it is yet another example of the fast-changing environment. Many mines decided not to make use of the new forex regime introduced two years ago and these which did had mixed success.

South Africa's gold production

	1980	1981	1982	1983	1984
Tons milled (m)	89.9	91.9	95.0	99.9	101.1
Gold produced (tons)†	663.2	645.3	652.0	664.0	661.8
Average grade (g/t)	7.28	6.92	6.76	6.55	6.44
Cost per ton milled (R)	35.53	41.89	47.25	51.88	58.94
Cost per kilo gold (R)	4,587	5,719	6,751	7,680	8,861
Gold revenue (Rbn)	10.19	8.30	8.52	10.01	10.93
Pre-tax profit (Rbn)	7.34	4.89	4.50	5.24	5.67
Tax and lease (Rbn)	3.84	2.10	1.83	2.30	2.31
Capital expenditure (Rbn)	0.92	1.22	1.26	1.41	1.64
Dividends paid (Rbn)	2.28	1.68	1.37	1.73	1.69

† Includes miscellaneous by-product gold and output from Anglo American Orange Free State Joint Metallurgical Scheme: 1980, 8.3 tons; 1981, 9.4 tons; 1982, 9.5 tons; 1983, 9.2 tons; 1984, 10.5 tons.

Hopes are dashed as diamond sales grow more slowly than expected while more and more of the world's gems are produced by mines outside of De Beer's control

Problem for de Beers

FIVE YEARS ago, South Africa's dominance of the diamond and platinum markets was, to all intents and purposes, absolute. It was exerted by the combination of control over producing mines, the ability and willingness to be the supplier of last resort and a compulsive secrecy.

Diamonds and Platinum

JIM JONES

The past year, however, has seen a complete change for platinum producers, who are enjoying fast increasing sales and have willy-nilly accepted increased market freedom.

By way of contrast, De Beers, which controls about 80 per cent of the world's rough diamond market through the Central Selling Organisation (CSO), has continued to pay a heavy price to retain its hold on a market becoming increasingly difficult to control.

At the start of last year, De Beers cheerfully forecast that the diamond market was continuing to recover from the trough which followed the boom of 1980.

Retail sales of relatively cheap commercial grade gems were rising in America and Europe and there were hopes that demand for the more expensive and profitable investment grade stones would soon recover.

De Beers' expectations were dashed when retail sales grew more slowly than expected and when the Soviet Union, which distributes its rough gems through the CSO, circumvented agreements by selling large quantities of commercial polished stones in the West.

The effect on De Beers was shattering. Sales by the CSO slumped to $668m in the second half of last year from a first-half level of $945m.

In addition, De Beers' own diamond stocks continued to rise and reached R3.88bn at the end of 1984 against R2.25bn a year earlier. In part, the increase was due to the depreciation of the rand against other currencies; nevertheless De Beers' diamond stockpile at the end of 1984 was equivalent to about two years' demand.

Though De Beers has obliged the producing countries which market through the CSO to curb output, the group's determination not to cut prices and to remain the supplier and buyer of last resort has not yet resulted in a sound balance between supply and demand.

More worrying for De Beers is the fact that an increasing proportion of the world's gems is being produced by mines the group does not control.

In South Africa, production has been cut and development of prospective new mines slowed.

In contrast, Botswana is insisting that De Beers accelerate the establishment of new mines while Australia, which only recently began producing diamonds in any great quantities, has plans to open yet more mines. Under these circumstances, maintaining near-monopolistic control of the rough diamond market is becoming increasingly difficult. De Beers' road back to balanced profitability promises to be longer and rougher than expected.

Penetrating the veil drawn over the affairs of Rustenburg and Impala, the two largest platinum producers, is difficult. Neither company discloses details of production or sales volumes, claiming that to do so would be against shareholders' interests.

Though this introduces a degree of subjectivity into any evaluation of the platinum industry, it is plain that sales are advancing strongly and that Rustenburg and Impala have decided to increase production substantially. It also appears that the increased sales volumes result from the effective abandonment of producer pricing and the switch to prices pitched at open-market levels.

Figures cannot be confirmed but it is reliably estimated that Rustenburg is increasing its annual platinum production to 1.5m ounces from about 1m ounces and that Impala is raising production to about 1.1m ounces from about 0.8m ounces. Not only has current demand increased, but on the horizon is prospective demand from European automakers who plan to follow the American and Japanese examples and provide platinum-based exhaust emission controllers on cars.

To some extent the market strategy changes were forced on Rustenburg and Impala. Major customers have demanded greater competition, new South African producers are in the wings and there are plans to start domestic platinum production in the U.S.

For many years the South African producers have extolled the advantages to Detroit of long-term sales contracts. Not only were they said to ensure security of supply but they also allowed production to be tailored to indicated demand.

Nonetheless, last year Ford decided to terminate its long-term purchasing agreement with Rustenburg.

Ford's decision was in part calculated to develop competition between Rustenburg and Impala. The two companies have had a secret agreement since 1979 which effectively precluded price competition and which caused considerable irritation to American automakers who believed it constituted an effective cartel.

Ironically, Ford now plans to buy platinum from Engelhard, the American precious metals dealer, which not only sources most of its platinum from Rustenburg under long-term agreements but, along with Rustenburg, is ultimately controlled by Anglo American Corporation.

Though mine production is being raised, Impala fears that it may be unable to supply all likely demand in the short term. Last year the company decided to buy free-market platinum for future delivery and suffered foreign exchange losses in the process.

Open market

Impala's purchases in the relatively small open market had no discernible effect on platinum prices, indicating that industrial and jewellery demand for the metal are far more price elastic than previously believed by the South African producers. This has prompted other companies to evaluate greenfields mining ventures to exploit the same deposits contained in the Bushveld Igneous Complex (BIG) as are worked by Rustenburg, Impala and Western Platinum, the subsidiary of Lonrho.

East Rand Consolidated (ERC), the small London-based mining and investment company, is planning to raise money to finance exploitation of mineral rights near Rustenburg's Atok mine in the eastern Transvaal. At present, ERC and Rustenburg are arguing over mineral rights in the area, which could well delay any development plans.

On the other hand, Gold Fields of South Africa (GFSA) has advanced plans to establish mining operations adjacent to Rustenburg's Amandelbult mine in the western Transvaal. GFSA's plans have been kept under wraps but are believed to centre on establishment of a 0.4m ounces per year mine.

Diamond mining: a difficult juggle between supply and demand

The rise of the black unions

In the past five years, black unions have emerged as the most effective focus of black mobilisation in South Africa—and labour relations have become the only area in which blacks and whites are settling conflicts through negotiation.

Since Government labour reforms took effect in late 1979, the bigger and more professional unions have recruited over 400,000 members, gained bargaining rights in hundreds of factories and won a share in decision-making in key areas such as retrenchment and pensions.

Labour/ Trade Unions

STEVEN FRIEDMAN

Their bargaining techniques, tactics and demands have become increasingly sophisticated and many unions have developed an articulate grass-roots leadership which often outmanoeuvres managements in factory negotiations.

They have also proved better able to mobilise their followers in support of political demands than any other black movement—last November an estimated 800,000 workers in the black townships around Johannesburg took part in a union-supported work boycott.

The unions' growing influence is, of course, a threat to managements: many have been irked by growing union demands that they share decisions managements have been taking on their own for decades. But, because unions have an identifiable, democratically-elected leadership which is willing to negotiate, the unions also offer employers an opportunity to defuse factory and township unrest.

The need for this is undoubted—township unrest continues, workers are playing a growing role in black community politics and factory unrest is growing. In 1984, 378,000 man-days were lost in 469 strikes, according to government figures—making it the country's worst strike year on record.

Employers are increasingly recognising this by negotiating with the unions, as are national employer associations who reacted to last year's stay-away by opening talks with key black union leaders. (The Government reacted by arresting the leaders to whom they were talking, a move which the employer bodies denounced in an unusual public protest.)

The rise of the black unions has, perhaps inevitably, also weakened the influence of the white unions who once relied on the law to protect their members' jobs against competition from black workers and to give them sole negotiating access to employers.

Protection

In many industries, it is now the black unions who dictate the bargaining agenda. White workers have become increasingly resentful as their racial job privileges have been eroded and this has increased their support for the political parties to the right of the Government.

But one sign of their declining influence is the fact that the Government seems increasingly willing to ignore their demands for protection, even at the risk of losing support at the polls: the only industry in which racial job bars are still in force is mining and there have been signs of late that the Government is planning to scrap these too.

A remarkable feature of this union growth is that it has taken place during a deepening recession, which was expected to weaken worker bargaining power and erode many union gains. In some ways, it has: thousands of union members have been retrenched and many employers have successfully resisted workers' wage demands.

But the unions have continued to grow despite this. Firstly, the recession has bitten deep into workers' living standards and has, if anything, increased their militancy. Secondly, the unions have developed tactics which have enabled them to adapt to the harsher climate.

Instead of relying on worker power alone to win disputes, they have used a range of weapons such as court action, consumer boycotts and international pressure. They have also changed their recruiting strategies by avoiding mass membership drives and concentrating only on areas where they know they can grow.

But the black unions still face formidable challenges. While they have made major gains in commerce and industry, black workers in State-owned industries like the railways are still not unionised and unions who have tried to recruit in the public sector have found it far more difficult to make gains.

Nevertheless, a black union won an important breakthrough in this area earlier this year when it won bargaining rights at Sasol, the semi-State-owned oil company, and State-run concerns are likely to receive increased black union attention.

Mining is another strategically vital industry in which black unionism is only beginning to establish itself. Black unions have only been operating on the mines for a little over two years: while the black National Union of Mineworkers has grown dramatically—it now has 130,000 members, making it by far the country's biggest union—it still represents little more than a quarter of the industry's black workers and it has won only modest gains on behalf of its members.

Last year, about 50,000 NUM members staged a legal strike in support of pay demands but the stoppage was met by tough police action and the final settlement fell far short of union demands. However, this year has already seen a sharp increase in strikes by NUM members and another showdown over wages seems inevitable. Another strike is likely and this may provide an important test of the union's strength.

The hurdle

The black unions are also weakened by continued divisions in their ranks—they are still split into several factions.

The bigger unions have been seeking to overcome this hurdle by forming a new "super-federation" which would bring together the biggest black unions in all the major industrial sectors.

Unionists hope this alliance will be cemented in October. If it is, the new federation is certain to increase the unions' influence by enabling them to pool resources and to mobilise workers more effectively around country-wide campaigns. However, talks aimed at launching the new body have been bogged down by continuing differences between some of the unions and the federation may well not be launched on time.

But by far the most important issue facing the unions—and the one which worries employers most — is their political role. Initially, the unions concentrated on factory issues only. As black workers began winning gains in the factories, however, they gained a new confidence and began to demand that their unions also fight political battles.

Union leaders have come under increasing pressure from their members to take up political issues — particularly since the township ferment began last year.

The bigger unions have responded by launching political campaigns more frequently and there is little doubt that union involvement in both local, community issues — bus boycotts and the like—and national political campaigns will grow. The form this will take is, however, far less clear.

Until now, the bigger unions have refused to join or form an alliance with anti-apartheid political groups such as the United Democratic Front. They have insisted that fighting for political change is an important union goal, but that the labour movement should do this independently of the UDF and similar groups. Workers, they argue, have their own political priorities which the political groups, because they are controlled by non-workers, tend to ignore.

However, the UDF has made no secret of its desire to form an alliance with the unions. It is well aware of their ability to mobilise workers and of the added muscle union support could give it. Since the township unrest began, some senior unionists have moved closer to the political movements, and argued that the unions should at least co-operate with them in running political campaigns: the November stay-away was one result of this new approach.

For much of this year, a debate has been raging within the unions on this issue. At present, however, it seems that the unionists who insist on retaining their independence from black politicians will win the argument.

But, while they will probably continue to act on their own, the unions are certain to increase their efforts to win changes in the political arena as well as the factories.

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Steel market hit hard by recession

Metal and alloy Industries

JIM JONES

RECESSION at bome and economic recovery abroad have affected the various segments of the steel, alloys and steel metals industries differently.

Basically, domestic recession has curbed those sectors serving the construction industries, and the same is generally true in export markets. On the other band, the nature of the West's economic recovery has boosted substantially sales of metals and alloys used largely in consumer goods.

The gloomiest of the sectors is, perhaps, steel itself. Iscor, the state-owned steel maker decided about two years ago that it would concentrate on serving the domestic market.

Sales at home were calculated to grow reasouably steadily, which would allow the parastatal to avoid large expenditure in major new plant and capacity while increasing local demand would be satisfied by reducing exports.

The decision was logical enough. Export markets have in Iscor's view become increasingly unattractive. They are useful when they provide outlets for marginal production needed to keep facilities operating at cost-efficient full capacity.

As last year progressed, Iscor's plan started to come unstuck. Recession placed considerable curbs on construction work as well as purchases of consumer durables. At the same time Iscor came up against growing protectionism, particularly in the United States. The South African Government made virtue of necessity and agreed to American demands that exports be restricted to 0.42 per cent of total U.S. consumption until September, 1989.

Iron ore's performance has mirrored the misery of steel. Exports through the bespoke export harbour at Saldanha Bay were unprofitable for most of last year. Iscor increased exports by 28 per cent to 10.4m tons in the 1983-84 financial year. Though this resulted in export earnings of R238m, sales nevertheless resulted in a loss.

To some extent South Africa's problems are structural and may not easily be overcome.

According to some shippers, South African ore is relatively poor when compared with that becoming available from the new Carajas mine in Brazil. In addition, the Saldanha harbour can only handle relatively small 100,000 ton ore carriers whose cost militates against the South African material.

Terms of Trade

The rand's weakness has shifted terms of trade in favour of exporters such as Iscor. In addition the Government has agreed to a financial restructuring of the rail line which carries ore to Saldanha from the mining areas near Sishen in the northern Cape. Both will belp exporters, but comprehensive improvements in iron ore export performances appear to be unlikely.

The contrast between steel and some ferro-alloys is startling. Less than two years ago the industry was in tha doldrums and operating well below capacity. Since then, demand has advanced strongly world-wide and led Sonth Africa's five major producers to raise output to full-capacity levels of about 1m tons.

Demand from European stainless steel producers is expected to rise further in 1985, American usaga is recovering after a pause late last year and high cost Japanese producers are removing capacity and allowing South Africa to take a greater share of the market.

Taking a longer term view, Mr John Hall, the chairman of the South African Ferro-Alloys Producers' Association, estimates that by 1995 South Africa, which has 80 per cent of the world's chrome ore reserves and adequate supplies of relatively cheap power, will have the capacity to produce 4m tons of ferro-chrome and will be supplying ebout two-thirds of the world's needs.

On the other hand, exports of chrome ore have been affected by slackening production abroad. Most of South Africs's chromite is being delivered to domestic producers who have the technical skills to produce ferro-chrome from the country'a relatively poor ores.

A similar optimism prevails among producers of ferro-vanadium and vanadium pentoxide, essential constituents of high quality steel's uses among other materials for oil pipelines. Figures are not disclosed, but Highveld Steel and Vanadium Corporation is producing vanadium pentoxide at about 70 per cent of capacity and believes that export performance will improve later this year wben Finland closes plants capable of producing 12m lb a year, equivalent to about 11 per cent of total Western world capacity.

In addition, Mr Leslie Boyd, Highveld's chairman, believes that the closure of Finnish capacity will laave opportunities for exports to the Soviet Union, that China is unlikely to increase sales to any extent and that inventorics have largely been liquidated. As a result, he estimates that tha world's total 112m lb vanadium pentoxide capacity, of which South Africa has abont balf, will be 80 per cent utilised this year.

Demand for manganese and silicon steels, which are largely used by the construction industries, have been far less buoyant than that for steels containing chrome and vanadium. In certain cases ferro-silicon plants have been convertad to ferro-chrome production.

Coal remains the key

Energy policies

JIM JONES

PERHAPS MORE than anything else, the development of South Africa's energy sector over the past 15 years epitomises the Afrikaner's survival imperative.

At the start of the 1970s the country was in a panic over its energy resources. Coal reserves were more than sufficient to supply the thermal power stations feeding the national grid, but the country had no crude oil and was threatened by oil boycotts; there was and still is no appreciable indigenous hydro-electric capacity; and though the country's gold mines could produce significant tonnages of nranium, South Africa itself had no commercial nuclear reactors.

Since then, the country has not only become a net exporter of energy, bnt has developed into tha swing producer in coal export markets.

Approximately half the domestic liquid fuel needs are provided by Sasol, the oil-from-coal producer; off-shore gas reserves are likely to be brought into production within the next few years; one nuclear power plant is in operation and will soon be supplied with locally-manufactured fuel elements; and government appears increasingly confident that there will be no major dateri-oration in the nation's energy balance.

Much of this has, of course, coincided with Opec's decline and the appearance of a world-wide oil glut. It has also been achieved with significant imports of advanced technology. Nevertheless, successful energy developments do underline tha country's determination and explain soma of its confidence in its ability to overcome any future aanctions threats. Unfortunately fear of sanctions bas resulted in an understandable official secrecy over oil and uranium. Despite this it is plain that government believes that the country's liquid fuel requirements will be readily satisfied for several decades.

COAL PRODUCTION AND SALES in million tonnes

	1982	1983	1984
Production	140.1	145.8	162.0
Local sales	106.3	112.6	121.0
Export sales	27.5	29.7	38.1

Coal remains fundamental to the country's energy matrix. Not only does it provide about 90 per cent of locally generated electricity but its conversion by Sasol, the oil-from-coal producer, elso provides about half of annual liquid fuel requirements. Known recoverabla coal reserves totalling abont 120bn metric tonnes are sufficient to supply projected demand for the next two centuries and the major coal groups which own the lion's share of reserves are cager to accelerate exploitation rates.

Escom, the state-owned ntility which in 1984 provided 94 per cent of the country's 118.5 gigawatt bonrs total electricity consumption, has in the past year revised sharply downwards its estimates of future power load growth.

Planning over the past decade has been done on the basis that demand for electricity would continue to grow at an annual rate of 7 per cent.

A downward revision of expected economic growth rates has resulted in a corresponding cut to about 3 per cent in expected annual electricity load growth. This has already led to cancellation and deferral of thermal power station construction and coal supply contracts.

Escom is the coal industry's most important customer and backer. At present the utility buys abont 60m tounes of coal a year, largely from dedicated collieries supplying the string of 360 Mw thermal power stations which march in line across tha Transvaal and Oranga Frae State coalfields.

While Escom's coal demand now expected to grow more slowly than originally expected, the same is true of coal exports.

While the threat of oil shortages persisted South Africans congratulated themselves on their developing oil-from-coal industry. Sasol, which came fully on stream last year, supplies ebout half of the nation's liquid fuel supplies and gives Johannesburg its distinctive smell.

Sasol's drawback is that its output is predominantly petrol, which means that South Africa suffers structural sbortfalls of diesel and has at times been an exporter of surplus petrol to countries such as Venezuela.

One solution, pursued by various coal companies in association with oil majors and chemicals groups, was to convert coal into methanol, which could be burned in diesel engines.

The fact is that oil-from-coal plants of any description are not viable unless they shelter behind protective barriers guaranteed by government. That was something tha South African government was not prepared to provide in the 1980s.

The fears of oil shortages which pervaded the 1970s and which peaked wben the Shah was overthrown in Iran, bave given way in the mid-1980s to quiet confidence over supplies.

Last year Anglovaal and Caltex were told that their methanol-from-coal plans did not fit in with the country's longer-term liquid fuels procurement strategies; Gencor and Sentrachem quietly shelved their plans to produce methanol from uranium-rich coal reserves on the Springbok Flats north of Pretoria; and only AECI, which has oil-from-coal plans in association with Amcoal, persisted with research into the additives necessary if diesel engines are to run on coal-based fuel substitutes.

The reasons for the Government's reluctance to agree to the various new synfuels projects only became clear late in 1984 when there were initial indications that after almost 20 years of exploration Soekor, the state-owned oil exploration company, had delineated apparently adequate reserves of off-shore gas to support a synfuels industry capable of producing crucial diesel fuels.

Ironically most of the gas reserves lie about 120 kilometres offshore and just inside Namibian territorial waters. Alan Hill, a leading Johannesburg energy analyst, estimates that the Namibian gas field, which bas been codenamed Kudu, could produce between 500m cubic feet and 1,000m cubic feet of gas per day which is sufficient to provide between 30 per cent and 65 per cent of South Africa's liquid fuel requirements for at least 20 years.

Since the signing of the Nkomati accord in March, 1984, South Africa bas become increasingly concerned at the sabotage acts carried out by its erstwhile surrogates, tha Mozambican National Resistance (MNR).

Now South Africa is offering to repair and protect the power lines which could deliver about 5 per cent of the country's total electricity needs.

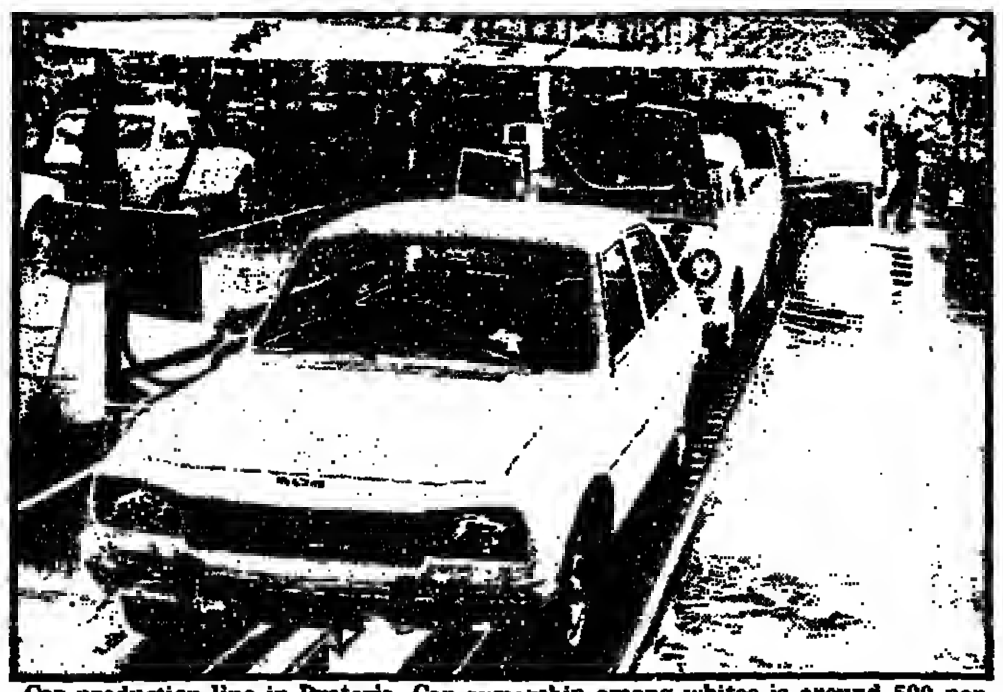
South Africa's determined refusal to sign non-proliferation accords has left it on a limb as far as nuclear power is concerned. In 1983 South Africa's gold mines produced about 6,100 tons of uranium oxide, equivalent to 16 per cent of the western world's production and placing the country in third place among the producing nations. Nevertheless, the country bes only one nuclear power station, built by Framatome, the French nuclear plant constructors, as a quid pro quo for guarantees of delivery of South African uranium oxide to France given at the height of tha energy crises of tha 1970s.

The nuclear plant, which is named Koeberg and which is situated just outside Capa Town, can provide over 5 per cent of the country's electricity needs, but has been hampered hy recently discovered construction faults and America's refusal to supply fuel rods unless South Africa adheres to nuclear non-proliferation pacts.

As with most other perceived threats, this hes spurred determination to becoma self-sufficient. At Valindaba just outside Pretoria an enrichad uranium production facility is nearing completion which will supply Koeberg's needs within a few years.

Nevertheless, until South Africa opens up its nuclear programme to international inspection it is unlikely to be able to buy any more nuclear generators even though they are ideally suited to supply coastal areas which are remote from the thermal stations sitting on inland coal deposits.

In an interview with the Financial Times, Mr Barend du Plessis, tha Finance Minister, made a strong appeal to the international community to lift restrictions on the sale of nuclear technology. South Africa would develop its own technology if it had to. The net result would be to divert funds from other davelopments whose main beneficiaries would be the black majority, he says.



Car production line in Pretoria. Car ownership among whites is around 500 per thousand, while among blacks the figure is around 22

Production levels cut as sales tumble

The motor industry

JIM JONES

THE CONTRACTS of 1984 threw into stark relief the problems with which South Africa's over-crowded motor sector has to deal.

The first half of the year was marked by strongly rising sales and assembly plants which were stretched to meet demand. Abruptly the year's second half produced sharp sales drops, plant closures, short-time working, lay-offs and the promise of even more difficult market conditions in 1985. Already the current difficulties are leading to the rationalisation which industry executives have been predicting for several years.

Early last year it appeared that the motor industry was set to recover from the reverses of 1983. In April, when it became clear that the March budget had greatly under-estimated tax revenues, tbe authorities decided to increase general sales tax (GST) to 10 per cent from 7 per cent on July 1. That triggered s boom in car sales as buyers with access to readily available credit rushed to beat the tax increase deadline.

In July, sales tumbled and the industry received a further blow in August wben hire purchase regulations were tightened.

The result was that from a June car sales peak of almost 31,000, sales balved to less than 15,000 in September. Manufacturers responded conventionally by curtailing production and calbing on government for relief.

Overall, car sales fell by 1.5 per cent to 268,751 units in 1984 from almost 273,000 in 1983.

Preliminary and possibly optimistic estimates by the National Association of Automobile Manufacturers of South Africa (Naamsa) are that car sales will drop to about 230,000 in 1985 and that unit sales of commercial vehicles will slip to 130,000 from the 1984 level of 137,059.

Profit levels

By the start of 1985 only one or perhaps two of the country's auto-makers was operating profitahly and, according to industry estimates, tha industry as a whole was making monthly losses in the region of R50m. Fundamental to the sector's problems are the relatively large number of competing manufacturers, considerable over-capacity and relatively high local content requirements.

Some years ago, auto-makers justified their presence in South Africa by pointing to market growth potential. Car ownership among whites is in the region of 500 per thousand, while among blacks the figura is about 22 per thousand. Increased black wealth, it was calculated, would lead to significant market growth which would eventually fully occupy the industry'a capacity to produce a total of 760,000 cars and commercial vehicles with multipla shift operations.

Now, tha industry tends to draw comparisons with Australia and Brazil where less than six manufacturers compete for annual sales of 550,000 and 720,000, respectively. In Soutb Africa there are ten independent auto-makers and 14 truck manufacturers competing for a market of less than 400,000 vehicles.

Rationalisation took a step forward early this year with the marger of Ford and Amcar to form Samcor. Both companias have suffered increasing losses in recent years. Where they differed was in the fact thst Amcar has tha implicit backing of Anglo American Corporation, its ultimate parent, while Ford's North American parent, which was beset by the American disinvestment lobby, was reluctant to spend additional money in South Africa to modernise its plants.

Merger and product rationalisation are expected to return Samcor to profits by 1987, but will result in considerable additional unemployment in the coastal city of Port Elizabeth.

In another development, Messina, which manufactures Nissan products, was taken over last year by Sanlam, South Africa's second largest insurance group. Sanlam will provide the funds to see the group through the recession and to position the manufacturer to take advantage of an eventual recovery.

Other motor companies rumoured to be looking for merger or rationalisation prospects are General Motors and Alfa Romeo. The incentive is tbat tooling up for eacb new model costs about R50m, which is essential for companies which are obliged to comply with the terms of the local content programme whereby 66 per cent by weight of each vehicle has to be made in South Africa.

Though the weight content is high, tbe local content is generally only 50 per cent by value, which has resulted in considerably higher input costs due to the rand's decline against other currencies.

The motor industry bas approached government with proposals for relaxation of the local content requirement, arguing that exports of components should be offset against imports.

Though this could well provide a considerable impetus to exports, only two companies—Ford, whicb exports fully assembled light trucks and BMW, which has started selling components to its German parent—have fully considered exporting outside the sub-continent.

An over-crowded sector

Percentage shares of South Africa's car market

Manufacturer	1983	1984
Toyota	20.5	21.9
Ford	14.2	14.3
Amcar	12.2	11.9
Volkswagen	12.3	10.6
Mercedes	8.7	9.8
Nissan	10.2	8.8
General Motors	7.5	7.7
BMW	4.8	5.9
Renanlt	3.9	5.2
Alfa Romeo	4.1	3.6
Leyland	1.5	0.3
Other	—	0.1

Buyers feel the squeeze

Consumer sector

JIM JONES

WHITE Soutb Africans are, as a rule, a remarkably conservative bunch, and are particularly uncritical about their Government's activities.

Attitudes bave, however, changed substantially in the past year for the most unlikely of reasons. Consumers are having to bear the brunt of austerity measures introduced to curb tbe country's soaring inflation rate and to bring to heel the rapidly expanding money supply.

Tbe change came when realisation set in that many of the economic problems besetting the country sprang from beedless Government spending, both on the bloated bureaucracy and on the duplication or triplication of facilities needed to prop up the edifice of apartheid.

There have been a great many official appeals for patriotism in tba face of economic adversity, but that increasingly runs off the back of the average white consumar who is weighted down by sharply declining real income, and the beightened cost of previously ocqnired hire purchase, mortgage and financing liabilities. It ignores the black consumer who is in an even worse position.

The consumer sector felt its first chill winds early last year as the premature spending boom of 1983 petered out. Consumer spending received an unexpected boost, however, with the announcement last April of an increase in general sales tax to 10 per cent from 7 per cent to come into effect on July 1.

Shoppers scrambled to buy everything from canned foods to video recorders ahead of the sales tax hike. As a result imports soared, the balance of payments deteriorated alarmingly and retailers and manufacturers faced a precipitous drop in spending as July started.

It was argued that the combination of a higher sales tax rate and normal economic slowdown were sufficient to restrain inflation.

Nevertheless, tha authorities introduced tougher measures in August with a tightening of hire purchase legislation and a package of monetary measures which lifted interest rates to record levels. This was followed in the budget of March this year with a further sales tax increase to 12 per cent.

Many consumer goods manufacturers hint darkly that the sales tax increases served to emphasise the fact that company and personal income taxes are too high, and that this has led to an increase in tax evasion.

The sharp declines in consumer confidence, and their translation into decisions not to buy durable goods, affected manufacturers and distributors of durables at an early stage.

Early this year, Afcol, the country's largest furniture manufacturer reported volumes a quarter down on those of a year ago, and responded by cutting its payroll and turning to short-time working. Tedelex, which imports, manufactures and distributes electrical and electronic goods was pushed to the brink of failure by foreign exchange losses.

Distributors

Similar experiences are reported throughout the consumer sector, particularly by distributors who ordered goods from abroad at favourable exchange rates in the middle of last year and were unable to cancel orders when it became clear that Christmas sales would be far lower than originally expected.

The difficulties are gradually being overcome. A combination of discount pricing and re-exporting hes helped reduce stocks to near-manageable levels, and re-stocking is most unlikely before next year.

This year the squeeze on consumers sbould, if anything, tighten further. Wage and salary increases are pared by fiscal drag or bracket creep and are lagging inflation, which touched 16 per cent in February and which is slated to peak in the region of 19 per cent later this year.

Growing unemployment has left consumers in a weak bargaining position over wages, which again indicates a growing inability to buy anything but essentials.

Exchange rates attract more foreign visitors

Boost for Tourism

PADDI CLAY

SOUTH AFRICA'S tourist industry is one of the few sectors benefiting from the current exchange rate.

While economic circumstances have forced many South Africans who would normally holiday outside the country to take their holidays closer to home, the exchange rate has increased South Africa'a attraction for visitors from Britain, Europe and the U.S.

More than 10 per cent more foreigners holidayed in the country in 1984 than in the previous year, 583,524, and well over 17 per cent more business people, 186,904 arrived.

With an increase in South Africans holidaying at home and the recession forcing a cutback of convention and conference bookings at many premier hotels and holiday resorts, the hotel and accommodation market has become fiercely competitive.

The objective now is to provide quality rather than luxury accommodation at affordable prices. But South Africa still hoasts a fair amount of luxury establishments. It bas also become more sophisticated in the upper income strata where most foreigners, their pockets bolstered hy the strong dollar and sterling, are now eble to take their leisure in South Africa.

The foreign business person will spend the major portion of e visit to South Africa in luxury hotels that have little to distinguish them from similar standard Western-style hotels elsewhere in the world. Most likely that hotel will he in Johannesburg, the commercial and industrial centre.

Brash city

While Johannesburg may have a heart of gold, it ls difficult for any visitor to find tbat out. During the day its predominantly hlack population is the only feature that hints at lts location in Africa. And the city's hrashness has seen to it that little evidence of its beginnings, 100 years ago, still remain.

At night and at weekends, like the other city centres of South Africa, it is deserted and desolate. All the more reason for the business visitor to work three free days into the schedule. For in those three days it is possible to experience the most popular tourist ettraction South Africa has to offer and unwind enough to face even the most harrowing of homeward flights.

South Africa's game reserves are rightly famous—and the Kruger National Park is the greatest of them all. Breathtaking in size and variety of game, with reasonably priced accommodation in its camps, lt is immensely popular. South Africans themselves flock to it throughout the year and crowd lt during the school holidays.

Package tours and group bookings mada far in advance are the easiest way for foreigners to visit the Kruger, yet the limited leisure time available to the business visitor and the aversion many people have for such "group" tours often precludes e Kruger visit from many ltineraries.

Still, there is e very ettractive and more personalised alternative to a Kruger visit for the visitor eager for e photographic safari and a chance to relax.

Situated alongside the Kruger Park's western border are the Sabi Sands and Timbavati Reserves which cover an area rich in game. The area has been set aside for both conservation and limited and controlled hunting and the Reserves are made up of private game farms, many of which finance themselves through game lodges that cater for a small number of gnests.

In these private reserves which offer comfortable and sometime luxurious eccommodation, good food and tranquility, the visitor, with little time to spare, has the chance to view an astonishing variety of game from close quarters. All of them ere an easy bour's flight from Johannesburg.

One of the hest-known of these game reserves, dne to it being a favourite destination of TV personalities—for example, the conservation keen comedian, Spike Milligan—is Londolozi. Price-wise, Londolozi falls in the upper middle of the range with R200 per person per night being the fully inclusive top tariff during high premium weekends.

Despite the favourable rate of exchange for the visitor, that price could look a little steep if it were for an "ordinary" hotel. But all-inclusive at Londolozi means early morning and evening gama drives in an open Land Rover with an experienced guide and tracker, the likelihood of seeing all "Big Five"—elephant, lion, rhino, hippo and buffalo in the space of 24 hours; then there are well-cooked meals that include dinner round an open fire in the traditional boma, electric lights and hot and cold running water in the middle of the true hushveld.

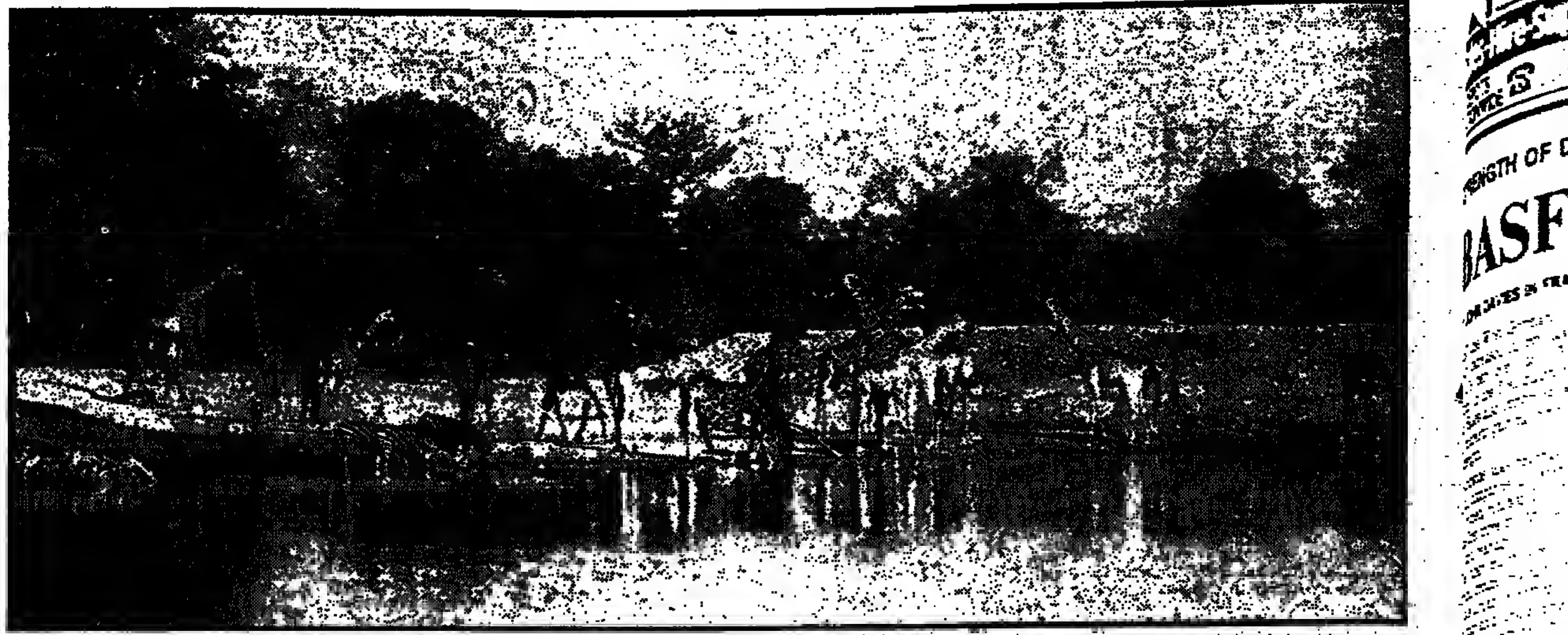
Londoiozi also believes in wildlife education and so—in the nicest way possihie—it throwa in a good dose of lts own conservation and hahitat management philosophy. Such is the persuasiveness of the evidence of this philosopby that visitors are likely to come eway devotees of the Londolozi formula for conserving the bush, the game and the people of Africa.

The other private game reserves are no less attractive. They all offer eccommodation in degress of comfort ranging from superior to ultra-luxurious, friendly hospitality, good food, game drives and their own approach to conservation.

It is also possible to glimpse e very different piece of South Africa in a sparse three days. Wine-lovers, and those more in favour of spectacular scenery, could choose to spend their days of leisure in the Cape, close to the wine route that wends itself through historic early settlement towns and vineyards. Intimate country hotels—some of them in houses in the Cape Dutch architectural style which have been declared national monuments—complete the experience of unique sector of South Africa.

Cape Town, the "mother" city, is the only city in South Africa that can lay claim to an air of graciousness. It also offers a therapeutic change of pace. Its surrounding beaches and mountains are spectacular.

When it is necessary to reduce a Sonth African tour to less than a week, when the "world-in-one-country" has to be experienced in e matter of days, few will disagree thet the essentials can be reduced to a game-viewing break in the Eastern Transveal and a meandering trip to the coast and winelands of the "Fairest Cape."



Kruger National Park: the greatest of South Africa's breathtaking game reserves

Fishermen gather in their nets as the sun sets over the Durban coastline

White farmers under pressure

Changes in agriculture

JOHN STEWART

A SEA change seems to be taking place in South African agriculture. This has less to do with physical or economic factors than with profound disturbance of the strong traditional bonds of mutual reliance between the South African Government and the country's 70,000 white farmers.

It would be putting too fine a point on it to say that this special relationship is under pressure because of alienation of sections of the Afrikaner tribe, but it seems more than a coincidence that the heaviest demands for special treatment are coming from the most militant and best organised sector of the farm lobby, the 8,000 maize growers of the Orange Free State and Transvaal provinces.

In none of the 40-50 rural districts covering the South African "maize triangle"—which eccounts for more than 80 per cent of the crop—can it be said with any certainty that Nationalist Afrikaners would not give substantial, if not decisive support to right-wing Afrikaner parties like the Herstigte Nasionale Party and the Conservative Party if a general election were to be called now and not four years hence.

There seems to have developed e subtle tactical struggle between the government and the beavyweight growers who have organised themselves into e tightly knit, formal structure which they call the National Maize Producers Organisation (Nampo).

On the surface the issues are clear enough: Nampo wants the producer price of maize increased R50 a ton to R270 a ton in the current season.

As with most sensitive questions affecting consumers, the price increase has to be approved by the Cabinet. If the Nampo demand were to be sanctioned lt would mean that growers will have been awarded price increases of 77 per cent in three years.

The reasons most often advanced for seeking such a large increase are three years of drought, two years of punitive interest rates and, most important, murderous increases of farm input costs—fertilizer, vehicles, fuel and so on. Nampo suggests that, while the Government can hardly be held responsible for the drought — although some propbetic Calvinists might disagree — it must bear the blame for high interest rates and tariff and import control protection of inefficient farm input and equipment manufacturers.

To reinforce the point, Nampo bas based its letest price demands on the local cost of producing one ton of maize and not, as in the past, on the import parity cost of maize. This is passed off as a generous gesture since the 49 per cent depreciation of the Rand against the U.S. dollar (in which the international maize price is denominated) since last year would heve commanded e far higher domestic price than the R270 the growers are asking.

Officials of the Department of Agriculture say that Nampo has overstated its calculation of prodnction cost inflation by R50 e ton and suggest that there should be no maize price increase this year.

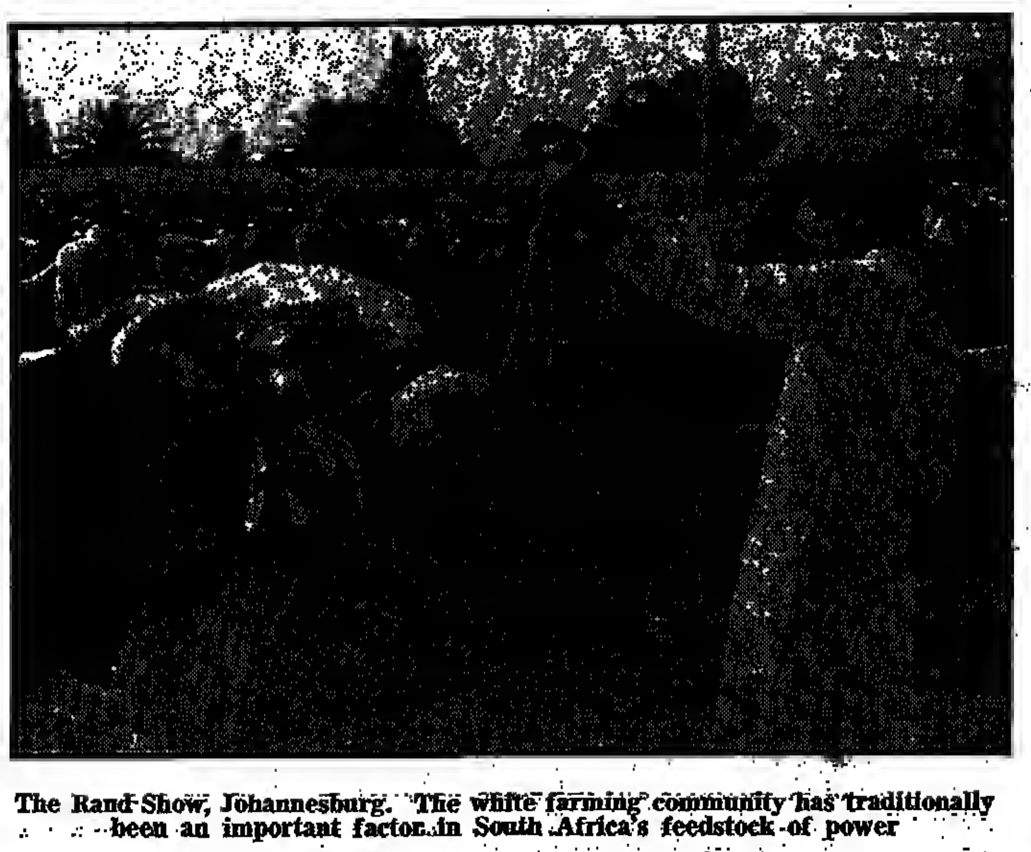
Certainly, Nampo's own figures show that maize prodncers have sharply reduced the physical use of inputs over the last five years.

Based on a 1980 index of 100, purchases of fertilizer declined 14 points by 1984, tractors by 59 and weed-killers by 32, while the area under maize reduced by 11 per cent. Seen with the estimated increase of 2.2m tonnes (to 6.7m tonnes) in the current maize crop over last year, it would seem that average prodnction costs have in fact fallen sharply.

Officials caution that the maize lobby is placing growers in jeopardy.

Even with e weak Rand, exports at the suggested producer price would be uncompetitive in world markets, although there will be no interest in exports this year because the crop will just about cover domestic consumption.

Even so, there are signs that something serious is going wrong on the demand side. Per capita consumption of maize fell from 115.7 kg in 1982-83 to 78.9 kg in 1983-84. Animal feed requirements have fallen 30 per cent and balanced feed manufacturers warn that they will diversify into alternative grains, wheat and sorghum, if maize producer prices are not stabilised.



The Rand Show, Johannesburg. The white farming community has traditionally been an important factor in South Africa's feedstock of power

Such is the nature of the visible war. At another level, the test of wills is more insidious. Nationalist Afrikanerdom's emotional ties with the land have for many generations ensured farmers of a good living, of stout support and relief in bad times, and a favourable return on capital employed in good times.

Votes

Traditionally, through gerrymandering, a white rural vote was worth four or five in the metropolitan areas. Strategically, it is important to maintain white occupation of the remoter regions, to show the flag and give the lie to criticism of unfair distribution of land—87 per cent for whites, coloureds and Indians, who barely make up 20 per cent of the population, while blacks have been allocated e mere 13 per cent.

The Afrikaner on the land has traditionally been an important part of the feedstock of power. The trade-off hetween political power and material welfare is real, if unstated.

There is little doubt that such considerations weigh heavily upon the mind of Mr P. W. Botha's Government. It has not been easy to preside over the fragmentation of the monolith, even though the formal Afrikaner right-wing constitutes at present little more than a fringe. It is rather the fear that unpopular ection would result in irretrievable alienation of an important section of traditional support that will test Botha's resolve to the utmost.

If undercover conflict does not break into the open over the maize price, it is e fair bet that it will over the question of agricultural aid.

Cumulative farmers' debt is running close to R10bn and the interest burden is mounting et R1.8bn annually.

In e significant break with past practice, the government announced in its March bndget the level of aid it intends to give in 1985-86 and the published figure suggests that the question of farm support will no longer be open-ended.

In fact there are signs that the Government may exert tighter control on the quantum of relief farmers have been accustomed to. The difference between what they want—R1bn—and what the South African exchequer has budgeted for in the 1985-86 fiscal year—R300m—is too wide to be anything but alarming. But the Government ia under severe pressure from the broad business sector to avoid spending overruns and restore credibility in the Budget, reduce the level of inflation and interest rates, and try to stimulate private investment. Do the farmers have the clout to overturn these calculations?

According to official statistics, the importance of the farm sector cannot be overstated. Latest official figures indicate that the value of capital assets, including livestock and vehicles, was R38.3bn in 1983, or 40 per cent of GDP.

In 1983-84 the gross value of agricultural production was R8.5bn, made up of R3.9bn from animal prodncts (meat, wool, etc), R3.1bn, from field crops (a bad year) and R1.5bn from horticulture. The contribution of agricultural production to GDP in that year was about 5 per cent.

In 1983, when the maize crop failed, the value of farm imports was R429m, out of total SA imports of R16.3bn.

By contrast, the value of farm exports in the period 1980-82 (three normal years) everaged R2bn or 10 per cent of total exports of goods and services.

Government faces tough decisions

Moves towards privatisation

JOHN STEWART

SOUTH AFRICA has, per capita, one of the largest hureaucracies in the world. It is estimated that 46 per cent of economically active whites are employed in the public sector.

The total remuneration account of the central Government will rise this year from R7.8bn to R9.3bn, out of total budgeted expenditure of R31bn in the 1985-88 fiscal year. And that is after bringing to account an estimated R500m cuthack in public service remuneration hy way of a 30 per cent reduction of employees' service bonuses which is paid in the form of a "13th cheque."

The public sector employs 1,046,903 workers, made up of 253,562 in central Government, 281,277 in provincial administrations, 235,400 in local authorities, 82,400 in the defence force, 44,004 in the police and 170,260 in homelands governments.

From union, in 1910, it took the public service 60 years to reach a staff establishment of 140,000. In the following 10 years, 100,000 new posts were created.

The fastest growth occurred between 1973 and 1983 when 110,857 posts were created—excluding increases in police and military strength. In some years the growth was staggering.

Between June 1979, and June 1980, for example, no fewer than 28,478 posts were created, despite the fact that 4,829 positions were handed over to the administration of Namibia.

Oddly, the wave of "statism" seems to have intensified since the start of the administration of Mr P. W. Botha.

When he took office about eight years ago ha pledged a leaner, more efficient public service and immediately set about "rationalising" state machinery. But though the number of departments in central government was nearly halved, from 40 to 21, the number of bureancrats made e quantum leap.

Rates of pay

The reason for this is not hard to find. Since 1977, the Government has been engaged in a programme of occupational differentiation, whereby public servants with scarce or key skills are remunerated at "market-related" rates of pay.

At the same time, the Government took a leaf from the book of the private aector and introduced bighly-competitive fringe benefits for middle to upper range public servants.

Vast accretions of staff to the authoriaed establishment led to heavy government spending overruns. In 1983, a few months before the referendum to test the acceptability of the new constitution, a massive pay award of 28 per cent, effective over two years, was announced. As the result of the referendum showed, the award favourably affected sentiment at the polls.

But it finally seems to have dawned on the authorities that persistent government overspending is the primary cause of high inflation. In an unprecedented mova in March, the Government announced an overall reduction of 3 per cent in the remuneration of members of parliament and the executive, followed hy a 30 per cent reduction in public service bonus payments.

Although tha next general election is in four years' time, it doubtless demanded some political stoutness to tamper with the pay packets of what is traditionally the feedstock of poltical power.

Not even Mr Botha could have been prepared for the howls of protest that greeted his announcement. That he did not run for cover and relent in the face of snch tough threats of retaliation is possibly the most eloquent testimony to date that white politics has moved into a new lane.

A vital adjunct to the government's commitment to reduce lts share of the economy hy cutting current spending is tha intention, as yet poorly defined, to sell state assets. There are compelling reasons to do so soon. On the hest aveilahle lnformation it seems that government spending, as a percentage of GDP, could rise from lts present 37 per cent to 50 per cent by the year 2010 if present trends continue.

The immediate sale of state corporations would have a telling effect on government revenues, reduce the pressure to spend, improve economic efficiency and hroaden the tax base.

It is estimated, for example, that SA Transport Services, the state transport monopoly, would achieve a market capitalisation of R10bn, ignoring debt. This would make lt the biggest listlng on the Johanneshnrg Stock Exchange, worth more than Anglo American Corporation and Sasol combined.

It is easy to under-estimate investor interest in privatising state enterprises. For after years, sometimes, of declaring deficits, there is an understandahle tendency to assume that state corporations ere simply not profitable. That is partly the fault of the corporations themselves—because they use antiquated accounting policies that tend drastically to under-report profits and overstate costs.

It is a device, moreover, that has been used to good effect to argue for higher controlled prices for outputs.

Many state enterprises are, in fact, highly profitable. In 1984, SA Transport Services' net operating profit was R2bn on turnover of R6.5bn, while the Departmant of Posts and Telecommunications made R880m on turnover of R2hn. This makes them two of the most attractive propositions in the country.

In the case of SA Transport Services lts *reported* profits were R76m, after writing off depreciation of R369m, additional depreciation of R478m, and oher non-cash items and financial charges of ahout R1bn. It invested R1.4hn during the financial year, leaving it with a cash inflow (or surplus) of R680m after investment.

Nonetheless, strong douhts remain over the Government's poiltical will to sell-off its undertakings — which are largely staffed by people it hopes to retain as political supporters.

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SECTION II – COMPANIES & CAPITAL MARKETS

FINANCIAL TIMES

Friday May 10 1985

STRENGTH OF DOLLAR CONTINUES TO BUOY CHEMICAL INDUSTRY

BASF lifts earnings and sales

BY JOHN DAVIES IN FRANKFURT

BASF, the West German chemical group, increased its pre-tax profits by 15.9 per cent to DM 742m ($230m) in the first quarter of this year. Sales also improved, with export markets gaining even further in strength.

Worldwide sales revenue, including all companies at least 50 per cent owned, reached DM 11.825bn in the first three months, up 9.6 per cent on a year ago.

The other major West German chemical groups, Hoechst and Bayer, have already reported substantially increased first-quarter earnings, as the industry continues to be buoyed up by the strength of the U.S. dollar.

Hoechst lifted worldwide pre-tax profit by 29.2 per cent to DM 480m on sales 8.7 per cent ahead at DM 11bn. Bayer showed a 28.9 per cent rise in worldwide pre-tax earnings, with sales up 11.1 per cent at DM 12bn.

Dr Hans Albers, BASF chief executive, said the first-quarter impetus came above all from markets abroad. The high dollar not only magnified U.S. earnings in terms of D-Marks but also improved the company's competitiveness in other markets.

In addition, business was picking up in areas previously hit by recession or debt problems, such as Latin America, southern Europe and western Asia, he said. Eastern Europe was the only export area where business had little momentum, because of Communist states' efforts to cut their debts.

The Ludwigshafen-based parent company pulled in 64 per cent of its first-quarter sales revenue from foreign markets, compared with 61 per cent a year ago.

By contrast, the parent company's sales revenue in West Germany was virtually unchanged on a year ago. In BASF's accounting, these domestic sales are actually shown as 4.6 per cent down on a year ago, but Dr Albers said the accounts were not strictly comparable as some operations had been shifted from the parent company to the wider BASF group.

Dr Albers said BASF's main problems last year were in oil refining and fertilisers. Like the whole oil industry in West Germany, the BASF group was making a loss on refining but cut its deficit to DM 120m last year from DM 200m in 1983. The loss was DM 20m in the first quarter of this year.

With the German fertiliser industry facing competition from cheaper imports, BASF lost less than DM 10m in this business last year – much lower than the DM 40m loss in 1983 – and made a profit in the first quarter of this year.

All three chemical groups have been benefiting from a sharp upswing in sales, and especially profits, for more than two years after a brief but severe setback in 1982. All lifted their dividend to DM 9 a share on last year's earnings.

Dr Albers attributed BASF's improvement not just to windfall gains from the high dollar but also to restructuring, elimination of excess capacity in some areas, and the development of new products.

● **Henkel**, the family-owned West German chemicals and detergents group, reports a 25 per cent increase in net profits to DM 130m for 1984. Sales were 10 per cent higher at DM 9.3m. The results are Henkel's first ever published consolidated figures.

Pan Am blames strike on heavy loss

By Terry Dodsworth in New York

PAN AMERICAN, the U.S. transatlantic airline group, blamed its month-long strike among ground personnel earlier this year for a doubling in its first-quarter loss to $138.7m from $70.3m in 1984.

The loss figure included capital gains on the sale of aircraft of $18.1m against $3.6m last year.

Revenues fell 22.3 per cent to $682.9m from $878.8m a year ago, while operating expenses fell by 12.9 per cent to $802.3m from $921.5m.

The company said yesterday that the revenue decline resulted directly from the March strike, when the carrier operated at only about one third of its normal capacity, as measured in available seat miles. Scheduled capacity for the quarter was down 25.2 per cent from the same period of last year.

Since settling the dispute with the Transport Workers Union in March, Pan American has struggled to get back to full-scale operations in April, when it operated at only 87.8 per cent of the previous year's capacity.

Lex, Page 20

AEG ahead despite Middle East deficit

BY JONATHAN CARR IN FRANKFURT

AEG-TELEFUNKEN, the West German electricals concern, raised operating profit last year to around DM 100m ($32m) from DM 37m in 1983, despite making big losses on business in the Middle East.

It is understood that but for these losses – notably on projects in Saudi Arabia and Iraq – 1984 operating profit would have reached the DM 200m mark.

Further details are expected to be revealed when the company presents its 1984 report next week. But it is already clear that Middle East business brought the major blow in a year which saw AEG generally making steady progress back to financial health.

While world sales dropped slightly in 1984 to around DM 11bn, almost all divisions are understood to have boosted earnings markedly.

Net profit soared to nearly DM 400m – due partly to extraordinary earnings connected with the sale of a subsidiary – and net financial liabilities were cut by a half to some DM 850m.

Despite the improvement, there is no question of a dividend payout. It is planned to plough back all available profit into reserves.

AEG was forced to seek court protection from its creditors in 1982 after running heavy losses for years. It made a small profit in 1983 and met the terms of a court-supervised debt settlement on time last autumn.

W. German engineer up 18% in year

By Peter Bruce in Bonn

MANNESMANN, the West German engineering and steel pipes group, is planning to pay an unchanged DM 4 dividend for 1984, following a modest 18.5 per cent increase in parent company net profits to DM 128m ($40.5m).

In a short statement issued after the group's supervisory board met yesterday, Mannesmann AG said its external turnover in 1984 had risen 12 per cent to DM 15.8bn. It said that because of expansion into new business areas DM 25m was being transferred to reserves for intercompany profits.

The parent company results account for around 70 per cent of Mannesmann's business. It seems likely, however, that overall figures will show an even stronger recovery when published. Last November, Mannesmann said that, while group sales had increased 11 per cent, sales by foreign subsidiaries (not included in parent company figures) had risen 51 per cent.

Yesterday's statement contained no details of individual performances by division, though it seems likely that the pipes division, largely home-based and which normally accounts for a third of overall turnover, has failed to follow the improving trend of most other operating sectors.

● **Continental Gummi-Werke**, the West German maker of tyres and other rubber products, is paying a DM 3 per share dividend for the second year in succession, after further consolidating its financial recovery.

Group net profit rose to DM 41.2m ($12.8m) last year from DM 40.2m in 1983, while the parent company's net profit went up to DM 18.3m from DM 15.1m.

Worldwide sales rose 4.3 per cent to DM 3.53bn, while parent sales revenue showed a similar rise to DM 2.06bn.

O & K advances 57%

BY OUR BONN STAFF

ORENSTEIN and Koppel (O&K), West German heavy construction equipment maker and a subsidiary of the Hoesch steel group, has increased its first-quarter net profits by 57 per cent to DM 10.2m ($3.16m).

Group confidence about even stronger profits growth this year has been boosted by incoming orders worth DM 283m in the first quarter, 65 per cent higher than the first three months of 1984. First-quarter turnover is 25 per cent higher than last year.

Herr Karl-Heinz Siepe, O&K's chief executive, said the 1984 results meant "the consolidation phase is over. O&K is once again a technological pacesetter in the market." The group increased net profits despite a 9 per cent fall in turnover, to DM 1.2bn.

The drop appears to have been caused largely by domestic factors. Home sales fell 29 per cent.

Berliner Bank shows slight improvement

By Leslie Colitt in Berlin

BERLINER BANK, which last June took the first step toward privatisation, raised its group operating profit 5.4 per cent last year to DM 26.1m ($8.25m). The bank is proposing an unchanged dividend of 12 per cent.

Last year's flotation on the West German stock market put 26 per cent of the bank's shares in public hands with the City of West Berlin holding the remainder. In recent years Berliner Bank opened branches in major West German cities and London as well as a subsidiary in Luxembourg.

Dr Dietrich Nebelung, spokesman for the board of Berliner Bank, noted it was "over-capitalised" at present and would only consider further expanding its equity base when it had fully utilised the DM 190m proceeds from the flotation.

It might still take some time until the bank's shares were "discovered" to judge by their low price in recent months of between DM 140 and DM 145, he noted. Buyers of the shares which were offered last June at DM 145 per DM 50 share apparently expected them to soar in the manner of Porsche's and Nixdorf's newly offered shares but sold them when this failed to happen.

The balance sheet total declined 1.2 per cent in the first quarter of this year from DM 12.5bn at the end of last year after it had risen 13.3 per cent.

● **Bayerische Vereinsbank**, the Munich-based commercial bank, is making a one-for-seven rights issue to raise DM 293.6m ($91.18m) in cash.

The issue is in line with Bayerische Vereinsbank's plans for boosting its capital-to-lending ratio to meet the requirements of the new banking law which came into effect in West Germany at the beginning of this year.

The new shares, each with a nominal value of DM 50, will be offered in July at a price of DM 225.

Bayerische Vereinsbank has grown considerably in recent years, its group assets reaching DM 124.2bn at the end of last year. It paid an unchanged DM 11 dividend on last year's results.

Chicago options exchange seeks to expand activities

BY PAUL TAYLOR IN NEW YORK

THE CHICAGO Board Options Exchange (CBOE) is to seek regulatory approval to trade individual stocks and to set up a commodity options exchange – moves which would dramatically expand its financial options business.

The CBOE appears to be positioning the exchange, which trades stock options, stock-index and interest rate options, to undertake a substantial expansion of its trading activities, if necessary in an increasingly competitive environment.

Specifically the exchange will seek U.S. Securities and Exchange Commission (SEC) approval to trade individual stocks, enabling it to participate in any future SEC experiment involving side-by-side trading of stock options and the underlying individual stock, and Commodity Futures Exchange Commission (CFTC) approval to trade CFTC-regulated options.

The CBOE action highlights the mounting competition between exchanges in the U.S., the rapidly expanding range of instruments traded by each of the major participants and the growing integration between stock, option, commodity and futures trading.

It follows moves by the New York Stock Exchange to enter the business of individual stock options – a marketplace dominated by the CBOE – and steps by the American Stock Exchange and Philadelphia Stock Exchange to set up commodity exchange units.

In addition the SEC recently authorised the CBOE and the five U.S. stock exchanges to trade options in over-the-counter (OTC) stocks and provisionally agreed to allow the National Association of Securities Dealers to conduct an experiment in OTC options trading.

The CBOE said its decision reflected the fact that "the SEC decision on over-the-counter options took a form that virtually mandates that CBOE become a stock exchange if we are to trade the OTC options included in the side-by-side pilot programme."

Mr William Auch, chairman of the exchange, which has previously opposed such side-by-side trading, emphasised that it still might decide not to trade individual stocks.

The CBOE said its decision to seek CFTC approval as a futures exchange grew out of a study of the growth potential of CTFC-regulated products and an analysis of CBOE's strengths in options trading.

Court setback for Steinberg

By Our New York Staff

WALT DISNEY shareholders challenging the $60m "greenmail" profit made by Mr Saul Steinberg when the company agreed to buy back his 11.1 per cent stake for $325m appear to have won a second round in their court action.

A California appeals court ruled that the shareholder group had "a reasonable probability" of forcing Mr Steinberg and his Reliance Group to repay the profit made on the stake.

Matra doubles profits

BY DAVID MARSH IN PARIS

MATRA, the diversified French arms and electronics group, registered consolidated group net profits of FFr 68.5m ($6.9m) last year after FFr 34m in 1983, on turnover up 9.3 per cent at FFr 13.7bn.

Profits showed further recovery from the low of FFr 23m in 1982 but were still well below forecasts made last year by the chairman, M Jean-Luc Lagardere, of 1984 earnings of FFr 100m.

Matra, which is 51 per cent owned by the French state, achieved last year's recovery mainly as a result of a tax credit under the carry-back rule which allows companies to impute past losses against their present tax liabilities. Without this accounting benefit of FFr 165m, Matra would have made a large loss last year.

Matra has faced a series of reverses in the last few years over its highly diversified subsidiaries.

Swiss may introduce options trading

BY JOHN WICKS IN ZURICH

SWISS stock exchanges are considering the introduction of traded share-index and bond-index options, it was announced in Zurich yesterday.

This would be the first step in the launching of a more comprehensive programme of traded options and financial futures. The three bourses of Zurich, Basle and Geneva intend to co-ordinate their entry into this business, and initial trading could start in about two years' time.

It had been considered whether Switzerland should take the Chicago Board of Trade as a model for options trading. Following a visit by a Swiss delegation to the U.S. last December, however, the stock exchanges decided that this would not be suitable in view of the relatively small number of Swiss shares and the existence of three major bourses in the country.

According to Herr Richard Schait, Zurich bourse vice-chairman, his exchange has for some time been co-operating closely with its Amsterdam counterpart, while talks with London were forseen. He indicated that Zurich might be prepared to make use of some elements of the Amsterdam trading system and perhaps even that Swiss shares might be traded in Amsterdam.

The Zurich exchange has called on the cantonal government to consider applying reciprocity standards for the granting of licences to over-the-counter securities dealers there. There has been a marked increase in the number of these so-called 'B' concessions, to 188 by the end of last year.

The rapid increase in the number of over-the-counter dealers has been due largely to an influx of Japanese broker houses, although Japan does not grant similar privileges to Swiss banks. Among new applicants is the Australian-owned Grindlay's Bank, whose foreign-bank concession is not being renewed by the Swiss banking commission in view of the failure of Swiss banks to be accorded the right to operate in Australia.

In Zurich, listing requirements are likely to change. One recommendation to the responsible cantonal government would be the lifting of the rule that listed stock must be available in lots of SwFr 5,000 ($1,800) maximum.

An increase in this figure to SwFr 50,000 would mean that medium-term notes could then be listed. These so-called private placements have reached a substantial volume on the Swiss capital market in recent years, foreign borrowers having issued Swiss-Franc notes totalling over SwFr 19.46bn in 1984 alone.

The Zurich bourse, which also wants similar changes carried out in other Swiss stock exchanges, foresees that it might be possible to create a new category of stock in the form of listed notes without the type of prospectus backing required for long-term bonds.

On June 9, Zurich voters will be called on to support a referendum motion granting SwFr 24m for the building of a new stock exchange.

Markets, Section III

INTERNATIONAL BONDS

American General cheers dollar sector

BY MAGGIE URRY IN LONDON

AMERICAN GENERAL, the U.S. insurance company, cheered the Eurodollar bond market yesterday, scoring a success with its convertible bond issue. The deal, led by Credit Suisse First Boston, was increased from $250m to $300m soon after the launch to meet strong demand.

The 15-year issue will probably have a coupon of between 6¾ and 7¼ per cent with a conversion premium around 20 to 24 per cent. Investors will have a put option after five years to give a yield of 10 to 10¼ per cent.

CSFB brought in only a small management group. By the close, the bonds were trading at around a ¼ point discount to issue price, well inside the 2½ per cent fees.

The Eurodollar fixed rate market picked up yesterday afternoon after a weaker start, and prices were ⅛ to ½ point higher on the day. Traders noted good buying demand, which helped a $100m five-year deal for Österreichische Kontrollbank to go well.

The terms initially looked a little tight at a 10⅞ per cent coupon, though the issue price is 99½. However, there is a lack of good quality paper in the market – this issue is guaranteed by Austria – and the bonds were trading at a discount of around 1½ per cent, compared with commissions of 1⅞ per cent. The deal is led by Orion Royal Bank, and there is a further $75m tap available after three months.

The recent interest in perpetual floaters persuaded Den Danske Bank to activate the $25m tap to the $75m issue launched last November. This pays interest at ¼ per cent above London interbank offered rate (Libor). Merrill Lynch bought the whole tap and is selling the bonds on. They were trading yesterday around 98.65.

Two more issues appeared in the Canadian dollar sector. First City of Montreal launched a C$75m 10-year deal with an 11½ per cent coupon and par issue price, led by Société Générale. The terms looked too fine, and the bonds were bid just outside the 2 per cent fees.

The issue that followed, a C$100m eight-year deal for Canadian National Railways might have been priced more generously but for Montreal's. This has an 11⅝ per cent coupon and par issue price and was also bid just outside the 2 per cent commissions. Lead manager is Salomon Brothers.

Deutsche Bank launched a DM 200m 12-year 7⅝ per cent issue for the European Investment Bank – the first straight issue in D-Marks this month. With the market generally better by ¼ to ⅜ point the EIB issue met good demand and traded close to the 99¾ issue price.

Similarly Eurobonds denominated in European currency units were firm yesterday, influenced by the weaker dollar. Prices were better by ⅛ to ½ point. An Ecu 32m issue for Bank of Yokohama (through its Asian subsidiary) was launched by Crédit Commercial de France and went well, trading at a one-point discount to par. The bonds mature in September 1992 and have a 9¾ per cent coupon. Issue price is par, and the proceeds are to be swapped.

Short term interest rates are falling in the Swiss franc market, and dealers are hoping for cuts in the two to five-year area which should boost the bond markets. Yesterday Swiss franc foreign bonds were little changed on average, in moderate turnover.

The yield on Tanabe Seiyaku's SwFr 100m convertible was cut by lead manager UBS from 1¾ per cent to 1½ per cent.

● **Cedel**, the international securities settlement system, reported a 32 per cent increase in operating income to $11.5m for 1984. By the year end over $70bn worth of securities were deposited in the organisation. The dividend paid to shareholders is being raised from 5 per cent to 10 per cent.

The Soviet Union is returning to the Eurocredit market for a further $200m, eight-year credit which is to be led by Deutsche Bank, writes Peter Montagnon, Euromarkets Correspondent, in London.

The deal is the latest in a series of borrowings by the country's Foreign Trade Bank, which has established a pattern of raising a succession of medium sized loans in a range of different currencies including sterling, Swiss francs and Ecus.

As with previous operations the new deal carries very fine interest margins. Vneshtorgbank will pay ¼ point over London Eurodollar rates for the first four years rising to ⅜ point for the remaining four.

Deutsche Bank said yesterday it was too early to tell whether the amount would be increased along the lines of previous deals which have met heavy oversubscription. U.S. banks which have so far resisted Soviet loans will be invited to join the credit, bank officials added.

International bond service, Page 23

BHF Bank bond average

May 9		Previous
102.021		101.987
High	1985	Low
102.960		98.840

SAB

THE SOUTH AFRICAN BREWERIES LIMITED
(Incorporated in the Republic of South Africa)

Preliminary results for the year ended 31 March 1985

COMMENT

Earnings

Earnings attributable to ordinary shareholders totalled a record R210,3 million and represent earnings per share of 80,4 cents as compared with 79,4 cents for the previous year. This has been achieved against the background of a precipitous collapse in consumer spending, particularly in the latter six months of the financial year when the estimated decline in real private consumption expenditure was of the order of 3,5%. All sectors of spending have suffered in recent months, especially durables and the middle and lower income mass consumer markets.

The Group recorded an increase of 11% in turnover through aggressive and focused marketing but with margins being brought under severe pressure. In the event, trading profit fell only 4% below the previous year's achievement. The substantial increase in interest costs was more than offset by the sharply reduced level of taxation resulting from utilisation of assessed losses end the continued transfer back to earnings of investment allowances deferred in previous years.

Included under interest paid is an amount of R6,1 million, in respect of the amortisation of the unrealised currency translation deficit on an aggregate of $50 million of foreign borrowings which remained uncovered throughout the year. In addition, Group attributable earnings have been reduced by an amount of R5,0 million set aside as a matter of prudence against the total amount carried forward, leaving a net balance of R6,2 million to be amortised over the remaining 4,5 years of the loan arrangements concerned.

Volume growth of 7% in the Beer Division was a major factor in the increase from R126,6 million to R141,6 million in earnings for the year in the Group's beverage interests. Earnings brought to account from the remaining interests of the Group declined from R78,0 million to R50,0 million, to which must be added R18,7 million of deferred investment allowances credited to the income statement in terms of the Group's established accounting policy.

Dividends

An unchanged final dividend of 26,0 cents per share has been declared, maintaining the total for the year at the level of 36,0 cents paid in respect of the previous year.

Financial position

Borrowings increased by R76 million over the year and reflected the results of tight asset management throughout the Group as well as the benefit of the R100 million of redeemable preference shares issued with effect from 1 February 1985.

Prospects

It is clear that the turning point in the country's economic downswing will not be reached until the latter part of 1985. Negative growth in real consumer spending in the first six months of the coming year is expected to depress Group earnings to a level well below that of the previous year. Trading during the second half of the year, however, is always the critical determinant of the full year's performance. If the improvement in the overall economic climate anticipated in the Group budgets materialises, earning for the year as a whole will be in line with those of the year just closed.

For and on behalf of the Board,
G H Waddell (Chairman)
J M Kahn (Group Managing Director)
8 May 1985

FINANCIAL RESULTS

Consolidated income statements
for the years ended 31 March

	1985 Rm	1984 Rm	% Change
Turnover	5 359,2	4 815,2	+11
Trading profit	354,4	369,1	−4
Interest paid	132,2	79,8	
	222,2	289,3	
Taxation	22,3	90,4	
	199,9	198,9	+1
Dividend income and equity accounted earnings	48,6	52,0	
Profit after taxation	248,5	250,9	−1
Attributable to outside shareholders and preference dividends	33,2	46,3	
Foreign exchange provision	5,0	–	
Attributable to ordinary shareholders	210,3	204,6	+3
Earnings per ordinary share (cents)	80,4	79,4	+1
Dividends per ordinary share (cents)			
Interim	10,0	10,0	
Final	26,0	26,0	
	36,0	36,0	
Ordinary shares (millions) Number on which e.p.s. is based	261,6	257,9	
Finance Leases (Rm) Aggregate net present value of future finance lease commitments	119,9	102,9	

Consolidated balance sheets

	31.3.85 Rm	31.3.84 Rm
Shareholders' Funds		
Ordinary	1 182	1 087
Preference	147	47
Outside	295	291
	1 624	1 425
Interest bearing debt		
Long term borrowings	618	536
Short term borrowings	58	64
	676	600
Total capital employed	2 300	2 025
Fixed assets		
Operating assets	1 263	1 153
Investments and loans	390	304
	1 653	1 457
Current assets	1 420	1 309
Total assets	3 073	2 766
Interest free liabilities		
Current	726	693
Deferred	47	48
	773	741
Net assets	2 300	2 025
Gearing ratio		
Interest bearing debt: Total shareholders' funds	0,42	0,42
Net worth per ordinary share (cents)	451	418
Capital expenditure (Rm)		
Incurred	328	350
Contracted	222	180
Authorised but not committed	211	267

DECLARATION OF FINAL DIVIDENDS

NOTICE IS HEREBY GIVEN THAT on 8 May 1985 the Directors declared the following final dividends on account of the year ended 31 March 1985 payable on or about 5 July 1985 to Shareholders registered on 31 May 1985.

Ordinary shares

A final dividend of 26,0 cents per share, which together with the interim dividend of 10,0 cents per share paid on 28 December 1984 represents a total for the year of 36,0 cents per share (last year's total dividend 36,0 cents per share).

Preference shares

Final dividends calculated in respect of the six months ended 31 March 1985.

Class	Nominal value per share	Dividend per share
6,2% cumulative	R2,00	8,2 cents
7,0% convertible redeemable cumulative	R1,00	3,5 cents
7,0% cumulative	R1,00	3,5 cents

The foregoing dividends are declared in the currency of the Republic of South Africa. Warrants in payment will be posted on or about 5 July 1985 to Members at their registered addresses or in accordance with their written instructions and will be despatched from the office of the transfer secretaries in Johannesburg to all payees except those to whom payment will be made from the office of the London Secretaries of the Company (Barnato Brothers Ltd, 99 Bishopsgate, London EC2M 3XE).

Any instructions which will necessitate an alteration in the office from which payment is to be made must be received on or before 31 May 1985.

Payments from the office of the London Secretaries of the Company will be made in United Kingdom currency calculated by reference to the rate of exchange ruling on 24 June 1985 or at a rate not materially different therefrom.

South African Non-Resident Shareholders' Tax at the rate of 14,03% and United Kingdom Tax will be deducted from the dividends where applicable.

The Transfer Books and Registers of Members in respect of the shares which are the subject of this notice will be closed from 1 June to 9 June 1985, both dates inclusive.

By order of the Board
B C Waigel
Group Secretary

2 Jan Smuts Avenue
Johannesburg 2001
8 May 1985

Directors: G H Waddell (Chairman), J M Kahn (Group Managing Director), A H Bloom, C Carrington (British); R S Cohen, F J C Cronje, D Gordon, M B Hofmeyr, M J Levett, R L Lloyd, W S MacFarlane, M Rapp, A M Rosholt, D H Stevenson, J G van der Horst, L van der Watt, K R Williams (British)

INTL. COMPANIES & FINANCE

Buyout likely for Dunlop India

By John Elliott in Bombay

THE TWO Indian businessmen who last December bought a quarter of the 40 per cent stake in Dunlop India held by Dunlop of the UK hope to acquire the rest of the British-owned equity within about a year.

They have already taken over control of the Calcutta-based company and heve finalised two deals for transferring rubber technology from BTR of the UK and Sumitomo of Jepan, independent of these two companies' other involvements in Dunlop's international activities.

The businessmen hope these deals will help to revive the flagging performance of the company, which has been hit by a recession in tha Indian tyre industry and suffers from heavy over-manning. Pre-tax profit fell dramatically last year to Rs 19m ($1.5m) from Rs 84m, while turnover fell only from Rs 3.2bn to Rs 3bn, according to provisional results.

Mr R. P. Goenke, one of the businessmen, says that Dunlop agreed at the time to the initial sale to give them first refusal to buy the remainder of the 40 per cent held in the UK.

Now the timing of such a move has to be decided by BTR, which is reviewing Dunlop'e foreign operations, having acquired the British company since the Indian deal was struck.

Mr Goenke'e partner, Mr Mano Chhabria, operates from Dubai. Dunlop in the UK holds 30 per cent of the Indian company and the rest is spread among Indian shareholders.

Woodside directors claim BHP-Shell offer too low

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE SIX independent directors of Woodside Petroleum—the operator and key partner in Australia's A$14bn (U.S.$9.59bn) North-West Shelf natural gas project—yesterday urged rejection of the A$1.60 per share offer by Broken Hill Proprietary (BHP) and Shell Australia.

The project's A$12bn liquefied natural gas export phase moves closer to start-up in Melbourne today when Japanese buyers are due to initial the sale and purchase agreement.

Woodside's independent directors said yesterday that BHP-Shell's A$1.60 offer—valuing Woodside at about A$800m—was well below the A$2.57 per share value placed on Woodside by Morgan Grenfell Australia. The merchant bank said the offer was unfair and unreasonable.

However, shortly after announcing their bid on April 10, BHP and Shell boosted their combined Woodside shareholding from 42.6 per cent to 51.6 per cent, acquiring 44.7m shares on-market at or below A$1.60.

BHP and Shell said yesterday that it was unlikely Woodside would declare a dividand before tha 199/s, and insisted that they would not increase their bid. The offer remains open until June 4.

Other partners in the project—easily Australia'e biggest resource venture—are Chevron, BP, and Mimi (Mitsui and Mitsubishi). All six, including BHP, Shell and Woodside, have equal stages in teb LNG export phase, which is due to start dellveries to Japan by October 1989. Contracts run until March 2008.

The first phase, in Western Australia, involving domestic gas sales, is already on stream.

Morgan Grenfell's analysis produced a price range for Woodside'e shares of between A$2.10 and A$3.06, against an average of A$1.05 in the two weeks before the bid.

The analysis values Woodside'e North-West Shelf stake at A$1.03bn, net of debt, and a 50.6 per cent interest in Vamgas, a junior oil and gas explorer and producer, at A$166m. Its total valuation for Woodside is A$1.286bn (A$2.57 per share).

BHP and Shell said last month that it was necessary to take clear-cut majority control of Woodside because Woodside was unlikely to complete its refinancing package for the export phase on time—an assertion contested by Woodside.

BHP and Shell will probably be happy with about 70 per cent of Woodside.

Earnings growth slows at JVC

BY YOKO SHIBATA IN TOKYO

PROFIT margins at Victor Company of Japan (JVC) suffered last year from stiff price competition in videotape recorders and the yen's appreciation against European currencies. Pre-tax profits moved ahead by 4 per cent to Y42.78bn ($170m), despite an 18 per cent rise in turnover to Y650bn. JVC, which manufactures audio equipment and VHS formula video cassetta recorders, lifted net profits by 15 per cent to Y19.69bn in the year to March 31. Final dividend was unchanged at Y6.25, making an unchanged total of Y12.5.

JVC's turnover comprises 65 per cent exports, an increase of 13 per cent, with the remainder domestic sales, a rise of 28 per cent. The company's efforts to strengthen VCR sales in the U.S. were rewarded; sales in North America jumped 1.9 times to contribute nearly 50 per cent to total exports. However, sales in Europe, the former core market, were depressed

VCR sales, accounting for 68 per cent of turnover, rose by 19 per cent.

In the year ending March 1986, the company sees slower sales of VTRs (up 2 per cent), but higher TV sales (up 15 per cent)

Full year pre-tax profits are predicted to reach Y43bn (up 0.5 per cent), and net profits are forecast at Y18bn (down 8.6 per cent), on projected turnover of Y680bn, up by 4.6 per cent.

Peter Montagnon on a BIS study of international lending trends

Japanese banks move to centre stage

INTERNATIONAL bank lending would have contracted last year without the contribution of the Japanese banks, which substantially increased their share of the market, according to a study by the Bank for International Settlements published today.

The study is the first of its kind to examine in detail the role played in international lending by different national groupings of banks. At the end of last year U.S. banks had a 28 per cent share of the market, it says, followed closely by Japanese banks with 23.5 per cent.

This was well ahead of the share notched up by any other countries. Despite the prominence of the City of London, UK banks had a share of only 7 per cent in international lending, less even than French banks, whose share was 9 per cent.

The study marks a further advance in the statistical coverage of the international bank market. Unlike other figures published by the Basle-based BIS, it classifies lending activitiy not by location of branch or office but according to each bank's nationaliyt of ownership.

The figure cover banks in 14 different countries but are not fully consolidated, since they exclude offices of these banks outside th main industrial countries which constitute the BIS reporting area. Also, the share of U.S banks might be overstated, tha BIS says, because it includes figures from their offices in certain offshore centres in the Caribbean and Far East, as well as subsidiaries of foreign banks in the U.S., which have been treated as U.S. banks.

One striking conclusion thrown up by the study is that Japanese banks kept the market growing last year. Their lending increased by $63bn, more than tha growth in total international bank lending of $46.7bn. By cnotrast, international lending of U.S. bonds fell by $16.5bn. BIS attributes this drop to the problems experienced by the U.S. banking system following the crisis at Continental Illinois of Chicago.

Significant declines in lending were also recorded by other groups of banks such as UK institutions, which cut their business by $9.5bn, and Dutch banks, with a fall of $6.2bn. Lending by Latin American banks fell by 24 per cent to $16.1bn, and by consortium banks by 9 per cent to $39.2bn.

Moreover, the BIS says, that on one interpretation of its figures, the international activity of Japanese banks is actually greater than that of U.S. banks. This is because an unusually large part of the international lending of U.S. banks involves business between individual offices within tha same group.

Over the years U.S. banks have built up a very large network of international offices which do a lot of business with each other. Once this business is excluded, leaving only lending to non-banks and banks under different ownership, the international assets of Japanese banks come ont slightly higher than those of the U.S. banks—at $372.1bn compared with $369.5bn.

But the figures also flatly contradict one popular belief, which is that Japanese banks themselves are responsible for recycling the country's buge balance of payments surplus abroad. In fact, their largest source of funds is made up of borrowings in the international interbank market rather than through the export of capital originating in Japan.

INTERNATIONAL ASSETS AND LIABILITIES BY BANK NATIONALITY

	Assets	Liabilities
U.S.	614.5	559.0
Japan	513.7	493.2
France	197.1	189.1
UK	161.4	164.7
W. Germany	142.1	128.3
Switzerland	75.3	68.3

Figures in $bn as of December, 1984.
Source: BIS

Despite the rapid growth in their gross lending last year, Japanese banks recorded a $18.5bn fall to $20.5bn in their net international creditor position, at the same time as their country's capital outflows reached a record high of $55bn.

By contrast, U.S. banks relied much less heavily on interbank borrowing to finance their international lending activity. Their international deposits from non-banks, at $147bn, were more than $100bn higher than those of British banks, at $43.7bn. Japanese banks held only $40.1bn in international deposits from non-banks at the end of last year.

"In short, the U.S. banks and, on a smaller scale, the Swiss banks, were able to attract ample non-bank deposits and had more funds availeble in the international market than they themselves were willing to relend to final borrowers. They therefore acted as financiers to banks of other nationalities, which used the interbank market for funding a substantial part of their international credit activity," the BIS comments.

The role of Swise banks is understated in the BIS figures, because they do not include trustee deposits collected from customers in Switzerland and re-lent on their behalf in the interbank market. These accounts do not appear in Swiss bank balance eheets, but if allowance was made for them, the Swiss banks' presence in tha international market would probably be about as important as thet of British banks, the BIS says.

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INTL. COMPANIES and FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 9.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅞ 88	150	103¾	104¼	0	+0¼	11.38
[illegible] Rep 13¾ 92	100	109⅛	109⅝	−0⅛	+0⅛	11.[illegible]
Bank Of Tokyo 12⅞ 92	100	† 102½	101	+0¼	+0⅞	12.[illegible]
Bank of Tokyo 13⅝ 91	100	107⅜	107⅞	0	+0⅜	11.79
BP Capital 11½ 92	150	97⅞	98⅜	0	+0¼	11.51
Caisse Nat Tele 13¾ 91	100	108½	109	0	+0¼	11.65
Canada 11½ 90	500	102⅜	102⅞	−0⅛	+0⅜	10.75
Canadian Pac 12½ 98	75	103⅝	104⅛	+0⅛	+0¾	11.[illegible]
CBS Inc 11⅝ 92	100	98½	99	0	+0⅜	11.[illegible]
Chevron U.S.A. 12¼ 89	800	102⅝	103⅛	−0⅛	+0½	11.34
Coca Cola 11¾ 91	100	103⅝	104½	+0⅛	+0½	10.85
Denmark Kindom 11½ 92	100	98⅝	99⅛	−0¼	+0¼	11.73
Denmark Kingdom 13¼ 91	100	105¼	105¾	−0⅛	+0⅜	11.[illegible]
Denmark 13⅝ 88 XW	100	106¾	107¼	−0½	+0¼	11.15
Denmark Kingdom 14 91	100	108	108½	+0½	+0½	11.79
E.E.C. 11¼ 90	100	99½	100	0	+0⅝	11.16
E.I.B. 11 98	100	†* 97⅞	98½	+0¼	−2⅞	11.35
E.I.B. 13 99	200	105⅝	106⅛	+0⅛	+0½	12.[illegible]
Ex-Im Bk Japan 13¼ 91	75	108⅜	108⅞	−0⅛	+0¼	11.21
Export Dev Corp 12 89	100	102⅞	103⅜	0	0	11.03
Exxon Capital Corp 0 2004	1800	11¾	12¼	0	0	11.[illegible]
Ford Motor Cred 11⅝ 95	100	96½	97	−0⅛	+0¼	12.19
IBM Credit 10⅞ 2000	300	98⅝	99⅛	+0⅛	+1¼	10.51
IBM Credit Corp 11¼ 87	200	102¼	102¾	0	+0⅛	10.45
Indust Bk Japan 12⅞ 89	100	106⅛	106⅝	+0¼	0	11.21
Indust Bk Japan 13⅞ 91	125	109¾	110¼	+0¼	+0⅞	11.50
Int-Am Dev Bk 12¾ 91	150	103⅞	104⅜	−0¼	0	11.77
Japan Air Lines 13⅞ 94	100	111¼	111¾	+0¼	+0⅜	11.28
Kellogg Company 10⅞ 00	100	98⅛	98⅝	+0¼	+0½	11.02
Kellogg Company 11¼ 92	100	101¾	102¼	0	+0⅜	10.79
L.T.C.B. 12¼ 91	100	104⅜	104⅞	0	+0⅛	11.77
Macy Cred Corp 11¾ 95	100	100	100½	−0⅛	+0¾	11.[illegible]
Mellon Bank 13 87	100	102⅞	103⅜	−0⅛	0	10.81
Merrill Lynch 12¾ 89	100	103⅝	104⅛	0	+0⅜	11.53
Minnesota 11½ 87	100	101⅝	102⅛	−0⅛	−0⅛	10.52
Mitsubishi Corp 13¾ 89	100	107¾	108¼	0	+0⅜	10.78
Montagu 15¼ 91	100	104	104½	−0⅛	0	12.21
Morgan Guaranty 12⅝ 89	150	102¾	103¼	0	+0⅜	11.42

Average price change On day 0 on week + 0⅜

DEUTSCHE MARK STRAIGHTS

SWISS FRANC STRAIGHTS

YEN STRAIGHTS

OTHER STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Battle for control of Crown Zellerbach likely to intensify

BY WILLIAM HALL IN NEW YORK

THE BATTLE for control of Crown Zellerbach, the 115-year-old U.S. West Coast forest products compaoy, was due to come to a head yesterday at the group's annual general meeting in San Francisco wheo Sir James Goldsmith, the Anglo-French financier, was to seek shareholder support for his own slate of directors.

Meanwhile Sir James has increased his stake in Crown to 19.8 per cent from 9.4 per cent with the purchase of an additional 2.8m shares for around $115m, based on current market prices.

Although Sir James dropped his $42.50 cash tender offer for control of Crown Zellerbach after the company announced a major restructuring of its business, he has maintained the pressure on the company, which is struggling to improve its return on equity after heavy losses in the early 1980s.

Sir James has emphasised that, even though he had terminated his bid, he was not a passive investor and reserved the right to purchase additional Crown Zellerbach shares and would contioue with his proxy battle to win three of the 12 seats on Crown's board. He is also seeking to overturn the "poison pill" defence adopted by the company which makes bostile takeover bids virtually impossihle.

Meanwhile, The National Associatioo for the Advancement of Colored People (NAACP) said it would oppose Sir James's attempt to gain control of the company. The group said it had seot a letter to Sir James charging that his companies had investments in South Africa and that his denial was "totally unsatisfactory."

The NAACP said it would distribute an announcement to shareholders asking that they "don't vote for apartheid." It said Zellerbach had a "commitment to social responsihility and affirmative action."

Murdoch to toe line on U.S. newspaper rules

BY TERRY DODSWORTH IN NEW YORK

MR RUPERT MURDOCH, the Australian publisher, has virtually committed himself to the sale of two of his leading U.S. newspapers, including the New York Post, in the aftermath of his $2bn acquisition of seveo U.S. television stations.

Mr Murdoch said he had "no intention of applying for a waiver of the cross-ownership rules" under which newspaper owners are not allowed to hold more than 5 per cent of a broadcasting station in the same city.

The two newspapers affected by this ruling are the New York Post, the most influeotial of Mr Murdoch's publishing operations in the U.S., and the Chicago Sun-Times, acquired only about a year ago. Both are published in cities where he will be part-owner of a substantial television station when the agreement under which he and Mr Marvin Davis are to acquire the Metromedis interests comes into effect.

According to e spokesman for Mr Murdoch, several "very serious inquiries" have been received for the newspapers in the last few days, as well as for the Village Voice magazine, which has also been put on the market.

Although Mr Murdoch gave no reason for his decisioo not to seek a waiver to the cross-ownership rules, the disposals may have been prompted partly by the aim of raising cash. Although only $650m of the television deal involves cash expenditure, he receotly spent $350m on a group of technical and travel magazines.

A price of $55m has been put on the Village Voice, which is also published in New York. No price has been indicated for the newspapers, although it is known that the New York Post has been struggling to make a profit for years.

Ford Motor to buy stake in American Robot

By Our Financial Staff

FORD MOTOR, the second biggest U.S. car group, is buying e minority interest in American Robot, a Pittsburgh-based company specialising in computer-integrated manufacturing systems, in a $20m deal.

Mr Donald Petersen, Ford chairman, disclosed the purchase in his speech at the company's annual meeting, saying the deal would "increase our ability to tie together our design, engineering and manufacturing functions in a virtually paperless operation."

Mr Petersen also said Ford planned to begin a new "fully automated operation that will produce electric motors" with General Electric of the U.S. in about two years.

He said the Ford autometed motor evolutioo project, to be known as Fame, is planned to be "one of the most advanced computer-integrated flexible-manufacturing facilities in the world."

Mr Petersen said Ford was continuing its discussions with its Japanese affiliate, Mazda, to buy cars from Mazda's planned U.S. assembly plant at Flat Rock, Michigan.

Strong recovery for Mattel

By Our Financial Staff

MATTEL, one of the largest U.S. toy producers, has extended its financial recovery, reporting first-quarter net operating profits of $15m or 25 cents a share, compared with a $2.7m loss a year earlier.

A tax credit of $8m made final net earnings $23m or 44 cents e share in the latest quarter, while a $1m tax credit and $4m securities exchange gain produced net earnings of $2.4m in 1984.

Sales in the latest quarter rose from $127.7m to $227.4m, reflecting continuing high sales for the company's toys and dolls. Mattel's disastrous electronic toys segment was discontinued in 1983.

UK COMPANY NEWS

Debenhams puts its case with £41m

Debenhams, the department store chain which has been the subject of persistent bid speculation, yesterday advanced the argument for its independence with a 24 per cent increase in pre-tax profits for 1984-85.

The result, e rise from £32.7m to £40.7m, was in line with market expectations, but the shares rose 25p to 315p on the day, to give a market capitalisation of around £440m.

In a confident assessment of tha group's prospects, the directors forecast further profit growth in the future, and have extended and eccelerated the new store development programme.

In recognition of the profits improvement, they are to recommend a final dividend 0.7p higher at 6p per share, for e total of 8.5p, a rise of 1p. There is also to be a one-for-five scrip issue, and "in an expression of confidence in the future," the current rate of dividend will be at least maintained on the increased capital.

Earnings per share are stated at 20.6p, up from 17.2p.

The rate of growth in the 53 week period to February 2, 1985, compares with the 8.6 per cent of Marks & Spencer and the 10.5 per cent of British Home Stores reported earlier this week. Debenhams trading margins improved from 6 to 6.fi per cent, on turnover ahead by £45.2m at £728.8m, excluding VAT.

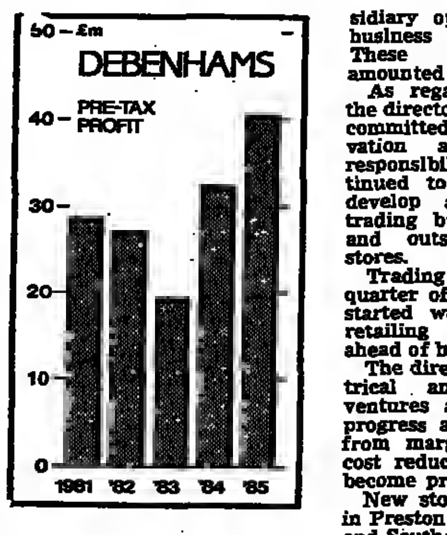
In their review of the trading year, the directors say that the major businesses all made higher profits than in the previous year. In the stores division the new specialist trading companies achieved, in their first full year of operation, aggregate sales increases of 11 per cent, and produced "encouraging" profits, particularly in women's fashions and menswear.

Since the establishment last June of the joint venture companies with Harris Queensway, sales in Greens, the electrical business, have bean up to the directors' expectations. The level of trade in furnishings has been lower than expected, although it is now showing improvement, they say.

Welbeck Finance achieved "further significant growth" during the year with pre-tax profits of £20.7m. It now has more than 50 external customers, although e significant majority of its profits still stems from the Debenham's cardholder services.

Harvey Nichols, Hamleys, and the footwear businesses all continued to make good progress with combined profits nearly doubla those of the previous year.

The trading losses, before interest, of the furnishings and electrical businesses for the four months prior to establishing the joint ventures were £2.8m and Debenhams' share of the trading losses for the remaining eight months was £1.6m. Thesa amounts have been absorbed



within the trading profit.

As indicated at the interim stage the group incurred extraordinary charges arising mainly from the running down and subsequent disposal of the loss-making overseas wholesaling company and from the re-organisation costs associated with establishing the furnishings and electrical joint companies with Harris Queensway. The directors say that these proved to be higher than orginally envisaged. More recently action was taken to close Debenhams Business Systems, a loss-making subsidiary opereting in the small business computer market. These extraordinary items amounted to £8.6m (nil).

As regards future prospects, the directors say they are "firmly committed ot specialisation, innovation and devolved profit responsibility." They beve continued to decentralise and to develop autonomous specialist trading businesses both within and outside the Debenhams stores.

Trading during the first quarter of the current year has started well, with the group's retailing activiteis significantly ahead of budget and last year.

The directors say that the electrical and furnishing joint ventures are also now making progress and, with the benefits from margin improvement and cost reduction, are expected to become profitable in 1985.

New stores are to be opened in Preston in 1986 and Hounslow and Southend in 1987. Other proposed developments, to increase trading space, are either at advanced stages of negotiation or under detailed consideration for the years ahead. The major refurbishment programme of existing Debenhams stores is cootinuing, and re-designing of the Oxford Street store in London will commence shortly.

The tax charge for the year came ot £10.6m (£7.7m). After the extraordinary item, retained profits cama out £5.1m lower at £7.9m.

See Lex

Electronics behind £2.2m advance at UEI

GOOD GROWTH by electronic operations and a much improved second six months from engineering enabled UEI to record e near 27 per cent rise in profits for the year to end-January 1985.

At tha pre-tax level profits recovered from a depressed £8.21m to £10.41m with the electronics division, now accounting for 75 per cent of group earnings, increasing its contribution by 43 per cent.

And with e swing of £7.19m in extraordinary items UEI was eble to transfer £4.33m to reserves, compared with a drain of £3.17m.

With en eye on opportunities for growth the directors, headed by chairman Mr David Moulds, are holding the final dividend at 3.25p for a same-again total of 5.25p net per 10p share.

The early weeks of the current year have been "encouraging."

During the past 12 months the principal electronic companies, Quantel, Link Systems and Link Electronics all achieved good growth.

Shareholders are told that the development of products and systems for the cable TV market is now virtually complete. Cabletime traded at a low level over the past year due to delays in the implemantstion of legislation and franchise development.

The directors point out that "as a matter of good housekeeping" the capitalised development costs bave been written off with the group's consolidated balance sheet now reflecting only net tangible assets.

The group's electronics sector pushed its profits up from £6.33m to £9.01m over the 12 months.

Profits from Cosworth Engineering grew considerably. The directors say the company bas firmly established its international position, not only as a designer and builder of racing engines, but also as e manufacturer of specialist high performance power units and automotive parts for production cars.

For the engineering division as a whole, profits for tha 1984/85 year remained virtually unchanged at £3.06m (£3.09m). The second half, however, picked up, and produced profits of £1.76m.

Group turnover for the year improved from £68.39m to £83.52m and operating profits cama through £2.7m ahead et £12.75m.

Interest charges rose from £1.84m to £2.34m, reflecting the 22 per cent rise in turnover as well as increased interest rates and the capital expenditure programme directed at the group's principal growth areas.

Research and development expenditure written off during the year totalled £5m (£4.1m), oet of grants received. Holding company interest and expenses accounted for £1.66m (£1.21m).

The tax charge was up from £2.62m to £4.49m, but extraordinary items added £1.18m (took £6.01m).

Earnings per share showed an improvement of 0.6p at 11.2p.

A new company, British Synergy, has been formed as a 50:50 joint venture with the British Gas Corporation.

● comment

UEI seems to be back on the growth path after a sobering two years when it paid the price for trying to develop too many new products at once. Now the group is firing on all cylinders, with past R & D expenditure translating into record profits at each of the three major electronics subsidiaries. Quantel, tha largest company in the group, bas got fat order books; and a recent move into the field af medical image insentifiers could have en important effect on profits over the next couple of years. In tha engineering division Yewlands, a past problem spot, all but broke even last year, and should start contributing in 1985. Elsewhere, Cosworth is set for another good year, helped by two major new contracts from Ford. UEI now intends to focus its efforts increasingly in high tech areas, which explains its sale earlier this year of Dunsley, makers of boilers for central heating systems. Assuming a conesrvative £12.5m profit before a 38 per cent tax rata for the current year, the shares at 186p trade on a p/a of 13. UEI has apparently recovered from 1983/4 faster than its shareholders.

Associated Paper tops £2m and order books strengthen

THE OPENING six months for Associated Paper Industries saw turnover and pre-tax profits rise by 17 per cent and 16 per cent respectively.

Group chairman Mr Charles Rawlinson tells shareholders that the £308,000 rise in profits to £2.2m was achieved in spite of the impact of raw material price rises and increased fuel costs due to the miners' strike.

He says the second six months have started well with strengthened order books. He is confident about the full year results.

The interim dividend is being stepped up from 1.5p to 2p net per 25p share to bring it more into line with last year's increased final of 3.5p.

During the first six months to March 30, 1985 a number of major projects were approved which will increase capacity and efficiency.

Turnover pushed ahead from £22.95m to £26.85m and was in line with directors' expectations.

Interest charges fell to £4,000 (£27,000) but tax took £125,000 more at £505,000. Net profits were £183,000 ahead et £1.69m, equal to earnings per share of fi.9p (8.2p).

A divisional breakdown of group trading profits (£2.2m, against £1.92m) shows: papermaking and converting £1.48m (£1.44m), stamping foils £697,000 (£615,000) and air conditioning, filtration and purification £314,000 (£223,000). Group costs accounted for £286,000 (£357,000).

● comment

Trading margins continua to drop on papermaking and converting at Associated Paper—down a full percentage point at the intarim from the full year's 8.7 per cent. However, a profit growth from the foil stamping and air conditioning activities have been more than strong enough to keep the group rolling forward. In fact the present year's £4m capital investment programme is weighted towards the two secondary activities and it could well be that their combined profit contribution will rise to meet that of the traditional business within e coupla of years. The harsh facts of life in the paper industry, higher input costs and foreign competition, mean that this will be no bad thing for the group—there bas to be a finite limit on the amount of value added that can be wrung out of paper converting before tha bulk paper manufacturers start expanding downstream. The rise in dividend is a good token of future confidence although it sbould not imply e similar rate of increase for the final. It does, bowever, take the running yield up to just over 4 per cent—spot on for the sector. The shares have had a good run in recent years and at 189p the market seems wall up with events. With £4.5m pre-tax in prospect for the year, the group is therefore trading comfortably on a prospective of just over 10.

Castle (G.B.) well down

AS PREDICTED at the annual meeting last December, interim profits of Castle (G.B.) showed a sharp decline. For the 28 weeks to February 8, 1985, tl\is USM company which has interests in kitchen furniture, bathroom equipment and built-in appliances, turned in £63,000 pre-tax, as against £684,000 last time.

Mr R. B. Troughton, chairman, says the very disappointing results can be attributed to largely two factors — a loss of gross margin resulting from increased promotional activity; and significantly higher interest charges.

There is no interim dividend and any final will be considered in the light of the full year results — last year, an interim of 1.12p net was followed by e 1.78p final on total taxable profits of £1.46m.

The chairman reports thet action has been taken with the objective of restoring group margins to previous levals. In addition, the company is reorganising its warehousing and distribution activities which should result in overhead savings of around £300,000 per annum.

Turnover for the 28 weeks rose from £7.5m to £8.76m, while pre-interest profits dropped by £422,000 to £780,000.

Interest charges jumped from £97,000 to £295,000 and after tax of £1fi,000 (£224,000) the net surplus was much lower at £45,000 (£459,000). Stated earnings per 25p share tumbled from 3.8p to 0.4p.

King & Shaxson

After providing for rebate, tax and transfer to inner reserves, King & Shaxson reports a fall in profit from £1.1m to £0.79m in the year to end April 1985. At midway the directors described profits as "satisfectory."

The company is e discount house, dealing in sterling and currency bills of exchange, sterling and dollar certificates of deposit, Government stocks and local authority bonds.

The final dividend on the ordinary shares is beld at 5.75p, making an unchanged total for the year of 8.25p.

AE reaps benefits of investment programme

DESPITE A fall in sales from £203.7m to £196.9m, AE, the high technology engineering components group, raised pre-tax profits by £3m to £11.2m for the half year to March 31, 1985. The board feels that this continuing progress will be sustained.

The advance has resulted from the substantial sums AE has invested, and is continuing to invest in research and development in high technology engineering and products over the past few years. This is now supported by a rising capital investment programme necessary to follow through market share growth.

Apart from growth in aerospace, there has been little change in the activity levels of the company's customers, both at home and overseas.

An increase in sales volume of around 6 per cent arose from continued expansion of market share both in the UK and, more particularly, overseas. UK exports, which rose 15 per cent last year, increased by a further 1fi per cent compared with the first half of last year.

With stated earnings per 25p share 1.7p higher at 8.2p, the net interim dividend is raised from 1.75p to 2p—last year's total was 4.25p on £17.3m profits.

Operating profits improved from £12.3m to £15.7m, before exceptional charges — redundancy and related costs — of £0.3m (£0.2m). Interest and tax took more at £4.2m (£3.9m) and £3.5m (£2m) respectively, minorities added £0.4m (£0.2m)

● comment

More than one investor took tha opportunity offered by these sound results from AE to take profits bringing the shares down 4p to 150p. These sales may in time appear short-sighted. For while there is little chance of the shares soaring ahead of the market as they have done in the past year, in line with the company's broadly-based recovery, it seems that the City is still some way behind events at AE. In particular, the group's success in increasing its shares both in the static automotive market and in the buoyant aerospace market bodes well for the future; the company will be much better placed to ride through the next downturn in these cyclical markets. There are still problems to be solved—South Africa continues to make losses for example. More generally too, the group is committed to a programme of cost-cutting which will inevitably bring more reductions in the workforce, though not on the scale of recent years. AE looks set for £25m pre-tax this year, which on a 31 per cent tax charge puts she shares on a multiple of 8½. The group's technical and commercial advances deserve rather more.

All-round growth raises Stakis above £5m midway

WITH advances in each of its three divisions — botels and Inns, casinos, and wines and spirits—pre-tax profits at Stakis rose by 34 per cent to £5.4m et the midway stage.

The directors state that trading conditions continue to improve, and thet with the benefit of recent acquisitions, they remain confident of a record outcome for the year.

Turnovar rose by £3.68m to £69.88m, and produced trading profits of £5.63m (£4.19m) for the 26 weeks to March 31, 1985. Hotels and inns again provided the bulk with a midway trading result of £3.47m against £2.57m. Casinos added £2.39m (£1.92m) and wines and spirits £510,000 (£352,000).

Interest and asset leasing charges accounted for £746,000 (£651,000).

The interim dividend is raised from an equivalent 0.33p to 0.4p nat per share. Last year the company paid the eqnivalent of 1p from profits of £10.16m.

The directors are also proposing to submit to an extraordinary meeting an authority to allot shares without the requirement to offer them to existing sharebolders, limited to 5 per cent of authorised share capital.

Commenting on the balfway trading performance, they state that in the botels and inns division the benefits of the continuing refurbishment and extension programme flowed through into tha results of all sectors. Profits in the second half will be helped further by the inclusion of the 150 room Stakis Inn, Cardiff and the 125 room Stakis Paragon Hotel.

● comment

Stakis bas produced a highly commendable set of first half figures, which bave pleasantly surprised a market that already rates the stock as one of the best in the leisure sector. The company did well across all its operstions, especially in the botets and inns division where both occupancy and room rates were about 10 per cent higher than in the first half of last year. There should be a further improvement here in the typically stronger second balf, belped by a first time contribution from two botels in Cardiff and Hull, whicb were bought earlier this year. The most marked advance can be expected from the smallest division, wines and spirits, following the shrewd move in March ont of comparatively unprofitabla wholesaling into more lucrative retailing, via the purchase of 51 off-licences from Dee. In the light of the interims, analysts bave upgraded forecasts for the full year to about £13m. With the shares a breath under their high at 68p, they trade on a p/e of abont 15¼, assuming a 26 per cent tax charge. That rating takes account of the rosy future.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
AE ....int.	2	July 1	1.75	—	4.25
Associated Paper ...int.	2	July 4	1.5	—	5
Bremner	0.5	Aug. 1	2	1	2.5
Castle (GB) ....int.	Nil	—	1.12	—	2.9
Debenhams	6	July 28	5.3	8.5	7.5
Dualvest	5.25	—	4.37	8.98	8.48
Fairline Boats ....int.	1.5	July 26	1.13	—	2.63
Fundinvest ....int.	2.26	—	2.07	—	5.11
Joseph Holt	11	—	8	14	11
King & Shaxson	5.75	—	5.75	8.25	8.25
Melynx	1	—	Nil	1	Nil
Owen & Robinson ...int.	5	May 29	10	—	10
R/Bank of Scotland int	3.8†	July 1	3.3	—	8.5
Stakis ....int.	0.4†	Sept.	0.33*	—	1†*
TDS Circuits	2.9‡	June 22	—	4.9	—
UEI	3.25	July 12	3.25	5.25	5.25
Vaux Group ....int.	3.74	July 2	3.4	—	10.06
Wardle Storeys ....int.	1.7	June 21	—	—	—
Whessoe ....int.	2.5	—	2.5	—	5.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Royal losses increase to £37m in first quarter

Royal Insurance, Britain's largest composite insurance group, yesterday reported almost double pre-tax losses in the first quarter, up from £20.4m in the same period of last year to £37.3m.

There were several factors that brought abont this further deterioration. Worldwida weather losses in the first quarter amounted to some £50m, of which £31m came from the UK—similar to those of 1984.

On top of this, the UK motor account deteriorated sharply over the period with e 12.5 per cent rise in claim numbers—a move which has forced Royal to put up its motor premiums by an average of 7 per cent, only three months after its previous increase.

Then, Royal has had to put some £9m into the further strengthening of its reserves in Canada to meet the effects of the changing legal climate.

Finally, Royal's results in sterling terms have been hit by the weakness of sterling which adversely affected the pre-tax figure by some £6.3m.

Underwriting losses in sterling terms on its worldwide business rose by more than a third from £101.6m to £139.9m on premium income up by 36 per cent from £523.4m to £712.5m, with an underlying growth rate of 18 per cent after allowing for currency changes. This strong premium rise reflects the large premium increases being made worldwide.

Total investment income climbed by nearly 30 per cent in sterling terms from £72.7m to £94.4m, with an underlying growth rate of almost 11 per cent. Lifa profits were some £1m higher at £5.9m, but this was more than offset by a decline in associated companies profit from £3.6m to £2.3m.

A tax credit of £11.3m (£1.3m) n net loss of £25.8m (£1fi.1m).

Conditions in the U.S.—Royal's largest operating market, showed some improvement in dollar terms compared with the first quarter of last year. Premium income increased by 18 per cent and total investment income by 7 per cent and pre-tax losses were reduced by some US$10m. The statutory operating ratio after policyholders dividends was 123.1 per cent (claims 90.6 per cent, expenses 32.5 per cent) compared with 128 per cent (claims 93.5 per cent, expenses 34.5 per cent) for the first quarter last year.

However, in sterling terms, underwriting losses in the U.S. worsened from £60.2m to £72.4m, though the pre-tax loss was slightly lower at £27.3m against £27.7m.

The operating features from the U.S. in the first quarter appear good. Price increases in commercial multi-peril business averaged 43 per cent in the quarter—compared with rises of 32 per cent in the final quarter of 1984. Increases for April this year are even higher. Commercial euto prices are up 33 par cent on average after the 25 per cent rise in the final quarter of last year, whila even workers compensation business is producing price increases in addition to reductions in policybolders' dividends.

Personal line business in the U.S. is still suffering from problems with premium increases np by some 7 per cent compared with rises averaging 23¼ per cent on commercial business. Royal is still losing commerical business in the U.S. and the premium increase has come from higher prices.

Business in the UK was hit hard by deteriorating conditions in the motor account. Higher numbers of claims running at some 10 per cent more than in the first quarter last year changed a small underwriting loss last year into a substantial one—no figures given, and was the sole cause of underwriting losses in the UK for the period climbing from £25.5m to £30.5m.

Royal UK operations were also hit hard by the seven winter weather, where two severe cold spells in January and February caused a considerable number of high cost frost damage claims.

Underwriting losses in Canada rose from £500,000 to £5.5m on premiums by over 15 per cent in local currency terms, an increase that came mainly from rate increases in commercial line business. However, the modest improvement in commercial business was more than offset by a substantial deteriorating in personal automobila business.

Business in Australia showed strong premium growth of more than 50 per cent in local currency terms amounting to £54.2m, with a corresponding increase in total investment income. However, storms in Queensland, bushfires in New South Wales and Victoria cost £5m in claims. Together with an increase in the number of large fire losses, a pre-tax profit of £5m last year was turned into a £1.1m loss.

See Lex

Whessoe first half recovery

Whessoe, an engineering holding company based in Darlington, has made e substantial recovery in the half year to end-March 1985. Helped mainly by the high pressure pipework sub-group, which has turned losses of £595,000 into a £974,000 profit, the group achieved pre-tax profits of £2.02m compared with £1.12m — an 80 per cent jump.

The directors are holding the interim dividend at 2.5p net. Last year a total of 5.5p was paid on depressed profits of £4.14m. Stated net earnings per share are shown more than doubled to 6.2p (2.5p).

Lord Erroll of Hale, the chairman, says that all the main sub-groups operated profitably during the half year, and soma further increase in group pre-tax profits is foreseen for the second half. The result for the full year is expected to be better than last year.

Total turnover fell from £52.42m to £48.21m, with the group generally performing well below capacity.

Heavy engineering showed a decline from £25.27m to £18.87m. Because of shortage of work et the Darlington works this sub-group made reduced profits of £838,000 (£1.48m), with Whessoe Ireland falling into losses due to lack of work.

Activity in the offshore division of beavy engineering remained high during the first half, bowever, and the chairman says that improved loading in this division end overseas construction, together with higher contract completions promise to yield better second half results.

The substantial improvement from high pressure pipework was achieved on turnover ahead from £23.97m to £26.06m. This sub-group, now without its former loss-making Canadian subsidiary, maintained the improvement seen in the second balf of 1983-1984.

Within this sub-group Aiton Australia's first half profit was a further record. No account has been taken of Aiton's one-third interest in the Australian related company MeLeSco Pty.

Light engineering reported slightly higher turnover at £3.28m (£3.18m), but profits fall from £239,000 to £212,000. Within this sub-group the results of Whessoe Systems & Controls at Darlington improved slightly, while those of Whessoe in Calais deteriorated somewhat. Both companies are still affected by poor demand, the chairman says.

The group pre-tax result was struck after charging £828,000 (£947,000) depreciation, and intarest of £31,000 (received £380,000). Tax took a higher £904,000 (£662,000), with the overseas proportion soaring to £297,000 (£58,000).

Tha chairman says that there is no new development concerning tha Qatar claim against the company.

● comment

Whessoe finds it hard to win friends in the City. The mixture of good news from some divisions and bad from others does little to dispel the impression that there has been little real improvement in world heavy engineering markets. Thare are exceptions—the offshore division is seeing strong demand from the North Sea and tha high pressure pipework sub-group, shorn of its loss-making Canadian company which was sold last year, is working to capacity. But in other activities, notably beavy engineering et Darlington, order books are weak. Tha medium-term outlook too is uncertain—even in high-pressure pipework the UK prospects look dull after 1986 when work on the Torness and Heysbam power stations is complete. The company has cut back capacity in the past and is ready to do so again; but competitors have been equally active in reducing costs. Nevertheless, the group should make £5.5m pre-tax this year which puts the shares, unchanged at 104p, on a multiple of about 6 (45 per cent tax). The discount to the sector is justified given the continuing uncertainty over the Qatar claim.

Royal Bank follows record year with £76m midway

Royal Bank of Scotland Group has followed last year's record-breaking performance with a 34 per cent increase in taxable profits for the six months to end-March 1985.

Sir Michael Herries, the chairman, says the interim increase from £56.8m to £75.9m mainly reflected continuing higher net interest earnings plus increased commission and fee income. Profits in 1983-84 rose by 37 per cent to £131.3m.

Offset against this there was a modest 11 per cent increase in costs and a higher provision of £26.6m, against £17.2m, for bad and doubtful debts, which was mainly attributable to the specific account.

The taxable result approached the top end of forecasts by City analysts who were unanimous in expecting a large improvement.

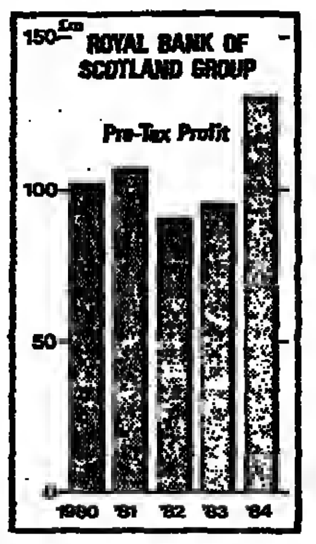
Royal's shares shed 2p yesterday to 288p, which is just 8p below the 1985 high and gives a market value of £811m, "which enables us to claim that we are now truly one of the big five," says Sir Michael.

He says the increase in net interest income of £37.4m to £197.4m was due almost entirely to growth in business and while the average base rate rose by two percentage points to 11.5 per cent, the average margin between base rete and retail deposit rate dropped by 0.5 of a percentage point.

The higher bad debt provision has been caused mainly by "continuing difficulties being faced by small companies in the UK and the continuing recession in worldwide shipping business."

As stated last year the improvement in the general economic environment in the UK, he says, "remains patchy and the medium-term outlook is still uncertain."

Shareholders are in line for an increased interim dividend of 3.6p, up from 3.3p, which is covered nearly fivefold by stated earnings per share of 17.8p compared with 16.1p.



With regard to the future, the chairman says that this is the last time that Royal expects to produce profit figures under its existing structure.

Royal plans to merge with its English sister bank, Williams and Glyn's, on September 30 subject to Royal Assent in the summer. The Parliamentary Bill to achieve the merger is now before the House of Lords.

"We have restructured ourselves in an economical and competitive way to take the group forward into the late eighties and nineties.

"This has entailed a total reorganisation, but a reorganisation that we are confident will have a marked effect in the years ahead, not only improving our earnings but also strengthening our balance sheet," says Sir Michael.

In February, Royal acquired Charterhouse Japhet and Associated Development Capital Companies for £155m, which was largely funded by the net £115m proceeds from a one-for-four rights issue.

Also, the group recently completed a 20 year £200m floating rate note issue to fund long-term investments and, in particular, mortgage lending.

Half of this was drawn on May 2 and the remaining £100m can be used at any time within the next two years.

Although reserves were depleted by 1984's Budget, the chairman says that proceeds from the increased share capital, the note issue and higher earnings have more than restored capital ratios.

Retained earnings for the interim period were £1.3m higher at £31.9m—the tax charge was up from £20m to £33.5m.

After September, Royal will have a national network of almost 900 branches. The impact of free banking has led to an increase of 50 per cent over the past three years in Royal's personal current accounts in England and Wales.

Royal derived 53 per cent (51 per cent) of its interim profits from domestic operations. International activities accounted for an increased 17 per cent (13 per cent) but related services contributed a lower 30 per cent (36 per cent).

Pre-tax profits included a decreased £3.4m, against £7.8m, share of profits of associate companies, and were struck after interest on loan capital up from £12.1m to £15.2m.

See Lex

Heavy demand for BAe shares from private investors

BY STEFAN WAGSTYL

PRIVATE INVESTORS have flocked to buy shares in the £550m British Aerospace offer for sale which closes today.

Early indications are that the 24 per cent of the offer open to the public will be heavily oversubscribed. The rest of the issue was reserved for financial institutions (55 per cent), BAe shareholders, and employees.

Across the UK stockbrokers yesterday reported heavy demand for prospectuses and application forms. Some brokers were surprised by the public response to an issue which was directed primarily at institutional and not private investors.

Both the Government, which is selling its remaining 48.4 per cent stake in BAe, and the company, which is raising new funds in a one-for-four rights issue, had been careful not to encourage inexperienced investors to the issue. In contrast with the British Telecom flotation last year, there was no television advertising to back the BAe sale.

But, if the brokers' impressions are correct, the BAe issue has succeeded in attracting much broader public interest than existed in the past, even for popular flotations such as Jaguar.

In Birmingham, Mr Ian Wade, partner with stockbroker Albert E. Sharp, said that while demand was not on the scale of BT it was much more than had been expected.

There were queues for prospectuses outside a nearby branch of National Westminster Bank, he said.

In Manchester, Mr Peter Green, a director of Henry Cooke Lumsden, said: "There's no doubt that BAe is basking in the glory of BT since a lot of first-time investors made a lot of money out of BT."

Mr John Nelson, director of merchant bank Kleinwort Benson, the company's financial adviser, said the response was "encouraging."

No figures are yet available on the level of demand. Applications are to be counted over the weekend and the results announced next week.

● Coloroll Group, the latest new issue to join the stock market, got off to a poor start when dealings opened yesterday. The shares, which had been oversubscribed 20 times in the offer for sale, opened at 135p and fell quickly to 125p before recovering to 129p.

Merchant bank Charterhouse Japhet, which sponsored the issue, blamed an exceptional number of "stags"—investors who had bought the shares merely to take a quick profit. Turnover on the day was very heavy—7m of the 13.5m shares offered changed hands.

Wardle Storeys margins raised

Wardle Storeys, the plastic sheet maker which obtained a listing last November, lifted pre-tax profits by 35 per cent, to £1.49m in the 25 weeks to February 24, 1985, against £1.11m for 26 weeks last time.

Sales however, were inhibited by industrial unrest in some major markets and came out little changed at £19.3m (£19.45m). The board says the profits rise fully justified the policy, outlined in the prospectus, of increasing margins by concentrating on higher value added products.

Earnings per 10p share are stated 34 per cent higher at 7.5p (5.6p). An interim dividend of 1.7p net is declared—a total of not less than 5p has been projected.

The company continues to follow the policies outlined in the prospectus and views the future with confidence, the directors state. In the meantime, with its strong balance sheet, it is well placed to make acquisitions should suitable opportunities arise.

First-half operating profits were ahead at £1.45m (£1.2m). Net interest receivable added £43,000 (£95,000 payable), but tax took £360,000 (£236,000). An extraordinary credit of £184,000 this time comprised interest received on offer for sale application money, after attributable tax. Attributable profits jumped from £0.78m to £1.29m.

All-round progress at Vaux with rise to £5.1m midterm

ALL TRADING divisions at Vaux Group, brewer, made progress in the 24 weeks ended March 16, 1985. Pre-tax profits for the period increased from £4.49m to £5.11m, on turnover £7.6m higher at £62.9m.

Mr Paul Nicholson, the chairman, says sales of draught and packaged beer were ahead, in part due to the increased investment in marketing and in the group's pubs. Swallow Hotels had a particularly good winter period but, for the rest of 1985, will be comparing with a buoyant 1984.

The board is hopeful of continued progress in the trading divisions, but profit from disposal of properties is unlikely to reach last year's level and the fall in television advertising revenue will affect the profits of Vaux's related company, Tyne Tees Television.

The net interim dividend is raised from 3.4p to 3.74p per 25p share — last year, dividends totalling 10.055p were paid on £13.03m profits. In the last annual report, Mr Nicholson said he was optimistic about prospects for the current year.

First-half trading profits increased from £4.55m to £5.62m. Breweries contributed £3.26m (£2.94m), while Swallow Hotels added £2.06m (£1.45m) and wines and spirits made £0.29m (£0.17m).

Finance charges rose from £577,000 to £857,000. Profits on disposal of properties and investments were little changed at £138,000 (£133,000), while related companies contributed a lower £214,000 (£376,000).

After tax of £1.74m (£1.69m) the net balance was ahead from £2.8m to £3.37m. The interim dividend absorbs £1.4m (£1.19m).

Fairline Boats continues advance

Fairline Boats, the only publicly listed boat building company in the UK, followed last year's record results with a £106,000 rise in pre-tax profits to £252,000 in the six months to March 31 1985.

The interim dividend is raised to 1.5p (1.125p) net and the directors hope to pay a "rather larger" final than last year's 1.5p. Provided there are no significant rises in the value of sterling the group should have no difficulty in selling its entire production of boats until well into the autumn.

The directors look forward to the second half and to 1986 with "reasonable" optimism.

Sales for the first half rose by 53 per cent to £4.26m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividend are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Circaprint, Werner Estate.

Finals:—Altifund, Cass Group, English and International Trust, Glanfield Lawrence, Liberty, Scottish Northern Investment Trust, TR Technology Investment Trust, Thomas Warrington.

FUTURE DATES

Interims:—

Brown (Matthew)	May 13
Cramphorn	May 20
Dubilier	May 16
Kelsey Industries	May 23
MEPC	May 29
Ranks Hovis McDougall	May 21

Finals:—

East Midland Allied Press	June 11
Feedex Agricultural Industries	May 16
Gartmore American Securities	May 21
Hargreaves	June 26
Heath (C. E.)	May 16
Henderson Group	May 16
Hill (Philip) Investment Trust	May 23
Markheath Securities	May 14

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High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
145	122	Ass. Brit. Ind. Ord.	145	—	8.8	4.3	8.0	8.8
151	135	Ass. Brit. Ind. CULS	150	—	10.0	6.6	—	—
77	51	Airsprung Group	54	—	6.4	11.9	8.0	7.1
42	26	Armitage & Rhodes	34	—	2.9	8.5	4.2	7.1
146	108	Bardon Hill	146	+1	3.4	2.3	14.7	24.5
58	42	Bray Technologies	52	—	3.9	7.6	6.3	7.3
201	170	CCL Ordinary	172	+2	12.0	7.0	—	—
152	110	CCL 11pc Conv. Pref.	110	—	16.7	13.8	—	—
120	10	Carborundum Ord.	119xs	—	4.9	4.1	5.9	8.2
88	84	Carborundum 7.5pc Pf.	88	—	10.7	12.2	—	—
73	48	Deborah Services	49	—	6.5	13.3	4.7	7.5
320	182	Frank Horsell	320	—	—	—	12.9	16.8
288	170	Frank Horsell Pr.Ord.87	280	—	8.8	3.7	10.4	13.7
32	25	Frederick Parker	29	—	—	—	—	—
58	33	George Blair	57	—	—	—	3.8	7.7
50	20	Ind. Precision Castings	20	−1	2.7	13.5	5.5	8.9
218	186	Isis Group	185	—	15.0	8.1	7.3	13.3
124	101	Jackson Group	105	—	4.9	4.7	4.9	9.5
285	213	James Burrough	238	—	13.7	5.8	8.4	8.4
93	83	James Burrough 8pc Pf.	89	—	12.9	14.5	—	—
87	71	John Howard and Co.	85xd	—	5.0	5.9	6.7	10.6
225	100	Linguaphone Ord.	225	+2	—	—	8.3	6.6
100	93	Linguaphone 10.5pc Pf.	98	—	15.0	15.3	—	—
650	300	Minihouse Holding NV	650	—	6.9	1.1	28.4	27.0
120	21	Robert Jenkins	55	+2	5.0	9.1	—	—
50	28	Scruttons "A"	34	—	6.7	18.8	17.9	4.1
82	61	Torday & Carlisle	76	—	—	—	8.2	17.3
444	330	Trevian Holdings	330	—	4.3	1.3	16.6	18.4
30	17	Unilock Holdings	30	—	1.3	4.3	14.8	21.0
99	61	Walter Alexander	99	—	7.6	7.6	6.6	11.9
247	216	W. S. Yeates	223	—	17.4	7.8	6.3	10.9

Prices and details of services now available on Prestel, page 48146

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Sterling	£	10.041xd	11.62%
Australian Dollar	A$	15.073xd	13.77%
Canadian Dollar	C$	20.059xd	8.09%
Dutch Guilder	DFL	50.105xd	5.78%
Danish Krone	DKr	150.418xd	7.23%
Deutschemark	DM	40.068xd	4.59%
Belgian Franc (FIN)	BFr	802.23xd	7.38%
French Franc	FFr	100.34xd	8.75%
Hong Kong Dollar	HK$	100.233xd	6.75%
Italian Lira	L	25,108xd	10.64%
Singapore Dollar	S$	30.047xd	4.26%
Swiss Franc	SwFr	30.0351xd	3.12%
US Dollar	$	15.041xd	7.16%
Japanese Yen	Y	3506.07xd	4.99%
		Bid	Offer
Man Sag Daily Dealings	£	9.48138xd	9.77462xd

UK COMPANY NEWS

David Smith pays £15m for niche in packaging

BY CHARLES BATCHELOR

David S. Smith (Holdings), e maker of cigarette packets and fibre packaging, is to pay up to £15m in shares and cash for **Abbitrin**, a privetely-owned manufacturer and converter of corrugated sheet board.

This will be Smith's second major purchase in the past six months following its £13.5m agreed bid for Western Board Mills last November. Western makes board from waste peper.

Smith has been looking for companies to acquire in specialist niches of the packaging market since the arrival of Mr Richard Brewster as chief executive in mid-1983. Mr Brewster was previously finance director of Giltspur Investments, e subsidiary of the Unigate dairy group.

Abbitrin has specialised in supplying the growing number of small packaging companies which need short runs. It typically supplies 500-1,000 ready-scored sheets of corrugated board but can handle orders for as few as 100 sheets.

"This gives them an advantage over the more cumbersome, integrated prodncers such as Bowater and Reed," Mr Brewster said.

Abbitrin approached stockbrokers Laing & Cruickshank with the aim of going public but Laing put them in touch with Smith.

Abbitrin made a pre-tax profit of £1.69m on sales of 18.19m in the 40 weeks ended January 1985 compared with profit of £1.05m on sales of £18.82m in the year ended April 1984. It had net assets of £4.1m at January 31 1985.

Smith will pay no more than 10 per cent of the purchase price in cash. It will pay £12m at completition date on or before June 14 in the form of 10.43m new shares, of which 5.22m will be placed by Laing at 115p per share to raise £6m cash.

A further £500,000 will be paid if Abbitrin's pre-tax profits reach £2.3m in the year ended April 1985. The balance of £2.5m will be paid if Abbitrin makes e total of £5m profit in the two years ending April 1987.

Abbitrin is a holding company formed by the merger in 1982 of Abbey Corrugated and Trinity Packaging, both based at Biggleswade, Bedfordshire. It will increase the number of sales outlets for Smith.

Smith's shares rose 7p to 134p.

Cement-Roadstone in £5m deal

BY CHARLES BATCHELOR

Cement-Roadstone Holdings (CRH), Ireland's largest industrial company, is to buy **Knechtel Group**, a privately-owned West German maker of windows and DIY retailer, for DM 21m (£5.45m) cash.

This is CRH's second major overseas acquisition this year and follows the purchase of Callanan Industries, a U.S. asphalt, aggregates and concrete products group for £36m in January.

The addition of Knechtel to CRH's existing Van Neerbos chain of builders' merchants and do-it-yourself stores in the Netherlands will increase the purchasing power of the combined group, CRH said.

Knechtel made e pre-tax profit of DM 5.8m on turnover of DM 147m in the year ended March 1984 and bad book net worth of DM 17.1m at that year end.

Founded in 1911 the company, which has seven DIY stores, has its headquarters near Bremen and employs 500 people. Mr Detlef Knechtel, present head of the group, will continue to run the company with Mr Johann Fuhs, the other executive director.

Mr Jim Culliton, chief executive of CRH, said: "We have been looking at Germany for about a year. This company was not on the market but we approached them and Mr Knechtel liked our management style.

"We will not sit on this investment. We will double its size in the next few years. Prospects for DIY in Germany are very good. Annual spending per head on DIY is £90 compared with £58 in the UK."

CRH's shares were unchanged at 68p yesterday.

* * *

Helene of London has exchanged contracts for the sale of the whole of Palinode Properties, an investment subsidiary owning a long leasehold property (80 years) at 14-18 Noel Street, London W1, for £639,359 cash payable on completion.

Saatchi touch for Wire & Plastic

By Charles Batchelor

TWO CITY figures—Mr Martin Sorrell, finance director of Saatchi and Saatchi, and Mr Preston Rabl, a partner in stockbrokers Henderson Crosthwaite—are to take a hand in the fortunes of Wire and Plastic Products (WPP), e small Kent manufacturing company.

WPP's shares raced ahead yesterday on the news to close 24p higher at 68p, valuing the company at £2.48m.

Based at Hythe, WPP makes industrial wire and sheet metal products and aluminium kitchenware and tableware.

The company has remained in the black during the industrial recession though profits have fluctuated in recent years. Last month it announced an increase in pre-tax profits from £270,000 to £311,000 in the year ended December 1984 on turnover which rose from £3.35m to £3.42m.

Mr Gordon Sampson, managing director, said WPP had been looking around for suitable companies to acquire to expand the business but had been unable to find one of the right size.

WPP now plans to issue 1.36m new shares to Mr Sorrell and Mr Rabl at 38p each in a deal which will raise £515,000 and give them a 27 per cent bolding. Mr Rabl will then join the board. Shareholders will be asked to approve these proposals at a meeting on June 13.

Mr Sorrell, finance director of Saatchi since 1977, said: "Mr Rabl and I were looking for a company where we could make e personal investment.

ESE ups profit and dividend forecast in retort to Peek

BY MARTIN DICKSON

Energy Services and Electronics, which is fighting at £35m takeover bid by **Peek Holdings**, yesterday forecast that its pre-tax profits would rise by 60 per cent this year, with dividends up by 33 per cent.

The forecasts came in a new letter to shareholders from the chairman, Mr Fred Rollason, urging them to reject Peek's offer and giving details of forthcoming management changes and group strategy.

Peek's offer, which received acceptances covering 24.53 per cent of ESE'e ordinary shares by the first closing date, bas been extended until next Tuesday.

Peek shares closed unchanged last night at 27p, valuing its paper offer at 94.5p per ESE share. ESE closed unchanged last night at 98p.

ESE forecast that its pre-tax profits in 1985 would total £3.4m. This includes figures for Neve Audio, a loss-making subsidiary which specialises in sound mixing equipment and which ESE says it has begum negotiations to sell. Dividends are forecast to total 2p a share.

Mr Rollason said Peek's offer turned on two points—ESE management's ability and the company's capital requirements.

On the first, be announced that Mr Patrick Robson, a main board director, is to become managing director of the group—a new position—and Mr Pierre Bagot, managing director of the French rental subsidiary, is to join the board.

Mr Rollason added that Peek bad been "wholly incapable" of answering his questions about the credentials of Mr Askin and Mr Biermann to run ESE's businesses.

On capital requirements, he said the company's gearing was satisfactory. Borrowings would fall in 1985 and be further reduced by the sale of Neve. Peek's £6m cash injection was not needed. It would eliminate borrowings, which would be an "absurd way to run a rental business."

Peek hit back last night. A spokesman said ESE's claim that the bid would mean a 23 per cent dilution of shareholders' interest was "quite incorrect" and took no account of the £6m cash injection.

Leigh Interests

Leigh Interests' agreed bid for **MJI Corporation** has been accepted by the holders of 70.17 per cent of MJI'e ordinary shares and has been extended to May 15. *The offer remains conditional, among other things, on MJI's shareholders voting against previous plans by MJI to sell off its industrial waste disposal division to another buyer.*

Fraser pref terms raised

THE Al-Fayed brothers have increased their preference share offer in their £615m takeover of the House of Fraser stores group.

In announcing the revised preference terms yesterday they revealed that they now own 95.4 per cent of the Fraser ordinary shares. They intend to acquire the balance compulsorily.

The Al-Fayeds have acquired 71.6 per cent of the 3.15 per cent cumulative prefernce shares; 36.2 per cent of the 3.85 per cent preference shares; and 68.2 per of the 5.25 per cent prefernce shares.

Respectively per prefernce class terms have been raised from 60p to 66p; from 73p to 80p; and from 100p to 109p. All offers are for cash.

Dee cuts Booker holding

Dee Corporation has sold 2.5m of the 20.02m shares it acquired during its unsuccessful £357m takeover bid for **Booker McConnell**, the food distribution, agricultural and health products group.

Booker said it understood that the share sale had taken place through the markfiet at the end of April, without affecting the Booker share price.

Dee, which said it would dispose of its holding following the failure of its bid, still has 17.52m shares, or 13.8 per cent of Booker's equity. Booker said Dee had not responded to its offer to help "find a home" for the shares.

In a seperate transaction **Applied Computer Techniques (Holdings)** said it had sold its total stake of 265,000 Booker shares.

Booker's shares fell 2p yesterday to 255p compared with 248p on April 19, the day its bid lapsed.

Ashanti restoration starts

THE five-year $160m (£130m) rehabilitation and expansion programme to restore the great Ashanti gold mine in Ghana to much of its former glory has been launched. The mine is owned by Lonrho (45 per cent) and the Ghanaian Government (55 per cent).

In Accra, Sir Edward du Can, the Lonrho chairman, has signed the necessary agreements whereby e loan of $45m has been arranged by the International Finance Corporation and a further $32.6m loan is being supported by the Export Credits Guarantee Department from a banking consortium led by Standard Chartered Bank.

The remaining $82.4m required for th project is to come from the retained earnings of **Ashanti Goldfields Corporation** (Ghana). The programme will involve shaft sinking and the installation of e major new treatment plant.

It is aimed to raise annual god production to 400,000 oz et the end of five years from its present level of 250,000 oz. By way of comparison, annual output at the South African mines runs from about 107,000 oz (Bracken in 1984) to 2.66m oz at the giant Vaal Reefs. St Helena produced 438,250 oz last year.

By world standards of production Ashanti is in the major league and in terms of gold ore grades it is one of the richest mines. Development results on the famous Ohuasi reef bsve often risen well above two ounces (60 grammes) gold per toone of ore and in 1971-72 the mine milled 794,00 tonens of ore for 533,000 oz gold at a recovery grade of 21 grammes (0.67 oz)

FIRST QUARTER RESULTS FOR 1985

Royal Insurance

The results for the first quarter are set out below; these should not be taken as providing a reliable indication of the outcome for the year as a whole.

	3 months to 31 March 1985 (unaudited) £m	3 months to 31 March 1984 (unaudited) £m	Year 1984 (audited) £m
General Insurance:			
Premiums Written	712.5	523.4	2,268.4
Underwriting Balance	−139.9	−101.6	−347.4
Investment Income allocated to General Insurance operations	72.5	54.7	237.4
General Insurance Result	−67.4	−46.9	−110.0
Long-term Insurance Profit	5.9	4.9	20.7
Investment Income attributable to Capital and Reserves	21.9	18.0	87.2
Share of Associated Companies' Profits	2.3	3.6	13.3
Profit/Loss before Taxation	−37.3	−20.4	11.2
Less Taxation	11.3 (credit)	1.3 (credit)	17.6
Minority Interests	−0.2	0.0	−0.4
Net Loss	−25.8	−19.1	−6.0
Earnings per share — *See Note*	10.9p (loss)	8.0p (loss)	2.5p (loss)
Capital and Reserves	£1,760m	£1,604m	£1,830m

Note *Earnings per share have been adjusted for the one for four scrip issue made in June 1984.*

EXCHANGE RATES

Foreign currencies have been translated according to our normal practice at approximately the average rates of exchange ruling during the period. The principal rates were:—

USA	$1.11	$1.44	$1.33
Canada	$1.50	$1.80	$1.73
Australia	$1.48	$1.54	$1.52
Netherlands	Fls4.09	Fls4.38	Fls4.27

The pre-tax result has been adversely affected by £6.3m due to changes in exchange rates; the underwriting balance being worsened by £20.2m, with investment income and Associated Companies benefiting by £13.9m.

INVESTMENT INCOME

Total investment income of £94.4m increased in sterling terms by 29.6%; allowing for the changes in rates of exchange the growth was almost 11%.

GENERAL INSURANCE

Premium income rose by 36.1% in sterling; allowing for the effect of currency changes, the increase was 18%. Details for the individual operating companies are as follows:—

In the United States the statutory operating ratio after policyholders dividends was 123.1%, down from 128.0% for the first quarter last year. There was a premium volume increase of 23% in commercial lines reflecting the continuation of our firm pricing action helped by the general hardening in that sector of the market. The result in personal lines showed further improvement. Total dollar premium income increased by 18% (13.4% excluding Silvey Corporation).

Premium volume increased by 13.1% in the UK. The winter weather conditions produced a high level of claims on the property accounts costing an estimated £31m, a similar figure to that of the same period last year. The sharp increase in motor claims frequency apparent in the final quarter of 1984 continued, in part reflecting the weather conditions.

In Canada the modest improvement in the commercial lines business was more than offset by a substantial deterioration in the personal automobile line resulting from continued premium inadequacy combined with adverse changes in the legal environment. Premium growth in local terms of 15.2% was largely accounted for by the rate increases on commercial lines business.

The result for **Royal Australia** was impacted by the storm and bushfire losses in January and a number of large fire claims. Most classes continue to show strong premium growth, particularly commercial lines.

The deterioration in experience in Western Europe and losses arising from the Chilean earthquake were largely responsible for the worsening in the **Royal International** result. Total premium growth in local terms was 29.2%. (16.8% excluding Velazquez SA.)

Poor experience in the motor account and an increase in the number of large fire losses affected the result for **Royal Nederland**. Premium income rose by over 10% in local currency terms.

The adverse experience for **Royal Re** reflected the continuing difficulties in worldwide reinsurance markets.

ROYAL LIFE INSURANCE

New single premium business in the first quarter of 1985 increased by 28% to £29.4m largely due to higher sales of unit-linked business. New annual premiums were £14.3m, somewhat lower than the first quarter of 1984, which was boosted by a surge of pre-budget business. Individual pension business in the UK, influenced by the possibility of change in the taxation treatment of pensions, was extremely buoyant. The long-term insurance profit increased from £4.9m to £5.9m.

Royal Insurance plc,
Group Head Office,
1 Cornhill, London EC3V 3QR.

	3 months to 31st March 1985						3 months to 31st March 1984					
	Premiums Written £m	Under-Writing Balance £m	Allocated Investment Income £m	General Insurance Result £m	Inv. Inc. on Capital & Reserves £m	Pre-tax Profit £m	Premiums Written £m	Under-Writing Balance £m	Allocated Investment Income £m	General Insurance Result £m	Inv. Inc. on Capital & Reserves £m	Pre-tax Profit £m
Royal USA	315.4	−72.4	37.5	−34.9	7.6	−27.3	206.1	−60.2	26.7	−33.5	5.8	−27.7
Royal UK	179.1	−30.5	15.7	−14.8	3.6	−11.2	158.3	−25.5	14.2	−11.3	3.4	−7.9
Royal Canada	63.8	−17.0	9.2	−7.8	2.3	−5.5	46.2	−9.1	6.8	−2.3	1.8	−0.5
Royal Australia	54.2	−7.2	4.5	−2.7	1.6	−1.1	34.5	1.1	2.6	3.7	1.3	5.0
Royal International	47.9	−5.0	2.5	−2.5	1.3	−0.3*	34.3	−2.8	1.8	−1.0	1.2	1.0*
Royal Nederland	28.7	−2.9	1.5	−1.4	0.4	−1.0	24.2	−1.4	1.5	0.1	0.8	0.9
Royal Re	23.4	−4.9	1.6	−3.3	0.7	−2.6	19.8	−3.7	1.1	−2.6	0.6	−2.0
	712.5	−139.9	72.5	−67.4	17.5	−49.0	523.4	−101.6	54.7	−46.9	14.9	−31.2

** The pre-tax profit figures for Royal International include the contribution from their Associated Companies of £0.9m in the first three months of 1985 and £0.8m in the same period of 1984.*

UK COMPANIES

United Biscuits sees satisfactory advance in full year profits

INDICATIONS WERE that half-year trading profits of United Biscuits (Holdings) would be higher than last year, said Sir Hector Laing, the chairman, at the annual meeting. Bot he addde that after increased interest costs, pre-tax profits would be similar to 1984.

For the full year bowever, the chairman expected both trading and pre-tax profits to show satisfactory increase. In 1984, the group made £110.6m and £87.2m respectively at these levels.

In the UK a very good start had been made to the year, Sir Hector said. Trading profits were substantially higher than for the same period last year and all sectors of tho business were showing improvemant.

In the U.S. the cookie war has intensified. Margins were under severe presure aod receot profitability had been lower than hoped, but tho company's market share remained strong. Keehler's results for the year were likely to be down on 1984, but the chairman believed they would he acceptable.

● At the Corah annual meeting. Mr Nicholas Corah, chairman, said the integration of Reliance was progressing satisfactorily and according to plan, hut only modest benefits were expected to accrue from this acquisitioo during 1985.

The order book across the group as a whole remained strong, although margins continued to be under pressure. In ao effort to maintain margins, Corah was actively pursuing its policy of stringent cost controls together with cootinued investment in advanced technology in order to improve efficiency.

The Canadian huisness had a difficult year in 1984, but this year looked mnch more encouring, the chairman said.

BICC continues policies and takes action in U.S.

At the annual meeting of BICC yesterday, Sir William Barlow, the chairman, said that the group was continuing with the polcicies he had described in the annual report.

The recent weakness of the Australian dollar was a setback, for the results of the Australian companies when reported in sterling, he said, although the companies continued to perform well. This currency had recently shown a trend of increased strength, which he hoped would continue.

Ha had referred in the annual report to the fall off in activity in the U.S. electronics market in 1984, he said, and this had continued into 1985. The performance of BICC Technologies' North American subsidiaries had been affected and strong management action had been taken to contain the situation nntil an upturn in this cyclical industry was confirmed.

He said that BICC Cahles had won a $10m order for the export of optical fibre cable to the U.S., the larges single order for optical fibre cahle the group had received.

● Mr Rupert Jones, chairman of Cambridge Electronic Industries, said at the annual meeting yesterday, that a number of the company's major customers, mainly in the telecommunications sector, had beeo going through a period of adjustment. This had resulted in some changes in the trend of order placing.

He said that although the group was experiencing somo short-term fluctuations in the general trading situation, the evidence did not suggest a major departure from the electronics industry's pattern of long-term growth.

BANK RETURN

BANKING DEPARTMENT	Wednesday May 8 1985	Increase (+) or Decrease (−) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	5,493,099,222	+ 265,155,289
Bankers Deposits	761,728,721	+ 105,870,285
Reserve and other Accounts	1,526,200,987	− 01,127,350
	7,795,581,930	+ 279,896,225
ASSETS		
Government Securities	590,360,131	− 31,982,317
Advance & other Accounts	861,680,774	− 49,444,289
Premises Equipment & other Secs.	6,331,685,287	+ 355,487,210
Notes	11,620,338	+ 5,815,985
Coin	235,400	+ 19,757
	7,795,581,330	+ 279,896,225

ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes in circulation	12,238,379,662	+ 74,184,010
Notes in Banking Department	11,620,338	+ 5,815,985
	12,250,000,000	+ 80,000,000
ASSETS		
Government Dept	11,015,100	—
Other Government Securities	2,279,407,277	+ 233,888,269
Other Securities	0,900,077,623	− 103,888,569
	12,250,000,000	+ 80,000,000

APPOINTMENTS

Scottish Amicable chairman

The following changes to the board of SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY have taken place. The Society's new chairman is Mr William M. Cuthbert. The following non-executivo directors have been appoioted: Mr Thomas M. Bisset, formerly chairman of FJC Lilley, and Mr Alexander D. Stewart, a partner in solicitors McGrigor Donald and Moncrieffs. In addition to their executive responsibilities with the Society, the following have been oppointed to the board: Mr W. Graeme Knox, general manager (lovestment), Mr Roy M. Nicolson, general manager (systems) and Mr Maurice D. Paterson, general manager (sales and marketing). Mr Robert K. Stewart and Mr William R. Henry have retired from tho board.

*

Mr J. C. E. Webster is to become president of BP North America Inc oo January 1 1986. Currently Colio Webstor is managing director and chief executive of BP Gas International. Ho will succeed Mr Alastair Manson who has been president since April 1978 and who will be retiring from BP ot the end of 1985 after 30 years service with the company. Mr David A. Claydon will become managing director and chief executive of BP Gas International oo December 1. He is currently chief executive of BP's engineering and technical centre.

Mr Ivor Casson, founder of Casson Beckman, has been appointed financial advisor and non-executive director of ESKENAZI.

*

DELOITTE HASKINS AND SELLS has appointed Mr Clive Pyne, Mr Philip Taylor and Mr David Waller as partnors in the maoagemeot consultancy divisioo.

*

Mr Alan Bramley has been appointed internotioool financiol cootrollor of CBA-WELBECK INTERNATIONAL COMMUNICATIONS, part of Carl Byoir and Associates, Inc. The company is setiing up its international beadquarters in London, which will be responsible for a major international expansion and acquisition programme outside the U.S. Mr Bramley was with Arthur Andersen.

*

BRIDON has modo a oumber of management appointmonts in the UK. Mr George Park, director and geoeral manager of Bridon Fibres, becomes managing director. Mr Alan Wehb becomes managing director of Bridon Composites. Mr Wehb was previously director and general project manager. Mr George Armitage, in addition to his existing responsibilities as a member of the group executive committee, will join the boards of Bromley aod Wellesley, and Fletcher, Sons and Co. Mr John Churchfield, who is managiog director of the Templeborough Rolling Mills and also responsible for a number of Bridon's engineering interests, will join the boards of and be responsible to the grouo executive committeo for Bridon Composites and Orkot Engineering Plastics.

*

Oo May 1 Mr Steve Landan becomes director and general manager of HERONDRIVE, the company car arm of Heron Corp. He replaces Ms Jean Denton, who is leaviog to become director external affairs with the Austin Rover Group. In 1984 Mr Landau was appointed commercial director.

THE MANAGEMENT PAGE

Staff training

How BA is creating its 'lasting asset'

BY CHRISTOPHER PARKES

Putting the customer first

THE TRICK of airlifting Manhattan, lock, stock and skyscraper into London's Heathrow is one thing—very much the realm of British Airways' glossy image builders at Saatchi and Saatchi. It is quite another task to ensure that the inhabitants arrive committed to repeating the experience with BA.

The new facade is all but complete. BA has been dressed in new livery, courtesy of Landor Associates, the U.S. design consultancy, and extravagantly advertised as the world's favourite airline.

Bnt a more fundamental job has been going on behind the shopfront—that of instilling into the vast workforce the recognition that they are not working for a utility but are the sole key to the success of a service business in one of the most competitive industries in the world.

By this summer all 37,000 of the airline's staff will have attended e two-day "Putting the People First" seminar—a training technique first described on this page on April 25 last year.

Not so much traditional training, as a matter of personal development and motivation, the tuition inclndes, for example, understanding and coping with stress, handling feelings, assertiveness, reading body language and positive thinking.

The staff have been educated, in groups of 180 at a time, in ways thet they can contribote to the success of their company through improving personal contsct with customers and their colleagues and friends.

The aim is to ensure that the "favourite" claim can be substantiated by people willingly and purposely seeking out BA and that a good proportion of the two-thirds of the flying publie who at present do not differentiate between airlines will in future consciously pick British Airways.

Denis Walker, customer services manager, told a recent senimar in London that clients may be temporarily diverted by offers and promotions such as china crockery instead of plastic, free drinks and extra wide seats. But such attractions are necessarily ephemeral because they are easily imitated by the competition.

"They don't last. In the end our only lasting asset is our staff," he told the Society of Strategic and Long Range Planning.

The seminars produced results very quickly. For the first time pilots and cabin crew mingled with shop assistants, check-in operators and baggage handlers. Grievances were aired and shared. Cabin staff, for example, were able to tell ground staff what it was like to cope with a passenger who had been given a hard time at the check-in.

There were further benefits, to be repeated throughout the service campaign, as sometimes reluctant managers followed the example of personal involvement set by Colin Marshall, the chief executive.

Marshall, who set the scheme going in February 1983 with the declared aim of BA'e becoming the "Best Airline in the World," appeared in person at many of the seminars. Although he probably spoke to no more than 25 people on each occasion, Walker reflected, a great many more staff were left with the feeling that they had met the man himself.

The company expanded the campaign as the seminars progressed, setting up what it calls Customer First Teams. Similar in conception to Japanese style quality circles, they consist of 10 or 12 volunteers—"genuine volunteers," Walker stresses—who meet regularly to identify, analyse and propose ways of bettering customer service in their area.

At the outset the leaders were selected by management and given formal training in skills such as problem analysis, group processes and presentation. In return, members were coached by the leaders.

Now there are about 130 teams all over the world, involving about 10 per cent of the airline's customer contact staff. Memberships rotate; some teams now pick their own leaders and staff are often allowed to implement their own ideas. Walker claims that the "energy level is still high," although some of the teams have faded.

More than 600 ideas have been implemented, ranging from the gift of a red rose for passengers travelling on St George'e Day, to a radical change in the handling of objects formerly known as "unaccompanied minors."

Now dubbed Young Flyers, children travelling alone are cosseted in a special area in Terminal 3 with computer games and pop videos. Once aboard, they have special menus including favourite foods like hamburgers and sausages.

The elite flight deck staff, reluctant to take part at first, now have their own team. Early benefits, Walker claims, include a marked improvement in the style and content of in-flight publie address announcements.

The airline's contingent of 7,500 engineers, toiling out of sight, was also enlisted. They soon learned how their colleagues and customers suffered as the effects of the slightest delay in preparing an aircraft in the morning could build up into a major irritation.

The effects of an early hold-up snowball quickly. Since a modern jet is expected to make several flights a day, landing slots may be missed, passengers may miss connections and as many as 900 travellers may be affected.

Behind these changes lies a concerted drive to develop goodwill, customer loyalty and, ultimately, repeat flights.

Air travel, Walker points out, is no fun. Most travellers start out in a relatively anxious state. The "Putting People First" policy comes into operation at the airport with staff walking the check-in queues—particularly at peak times—checking that passengers are in the right line, and helping latecomers.

Beyond the check-in, Walker admits, there are lots of opportunities for minor disasters: delays, unclear directions, split coffee, hard-to-open lunch packs, aisles packed with baggage and struggling bodies.

Further down the line, BA has established Customer First Workshops, headed by senior managers of customer contact staff, to co-ordinate campaign initiatives at local level.

Feedback for the teams and workshops comes quarterly from the findings gleaned from extensive interviewing and research among passengers flying in and out of London. Weaknesses can be spotted quickly and improvements can be developed within and applied by the groups.

So far, so good. Now the airline is planning the next phase of the campaign on the experiences of the past two years.

Meanwhile, the fruits of progress are being distilled for application in all the company'e activities, and especially in the general training programme. New cabin crew, for example, routinely undergo a five-week training course. In the past the care of the customer used to feature in week three.

Now the customer's interests appear on day one. Fledgling staff are handed a ticket, pointed towards the check-in and told to get out there and see how it feels to be on the receiving end.

Management abstracts

New patterns of working relationships. J. Atkinson in Education + Training (UK), Nov/Dec 1984 (3 pages)

Foresees changes in the use of manpower to accommodate market variations, principally by retaining a core of permanent policy makers, managers and firm-specific skilled workers, supplemented by peripheral groups—such as sub-contractors and freelances; analyses and classifies these new working relationships, and examines a parallel trend in which company headquarters move out of big city centres; looks further ahead to fees supplementing wages, discontinuous rather than "linear" careers and growing range of activities, such as moonlighting.

Who pays for customer service? R. Jobson in Focus on Physical Distribution Management (UK), Sep/Oct 1984 (4 pages)

Examines—with the help of examples drawn mainly from the retail food business—the widely held view thet customer service adds cost rather than value. Contends that this is not true and that good service is cost-effective as it creates customer satisfaction which leads directly to increased sales and profits.

Mechanical design. D. Potts in Engineering Computers (UK), Nov 1984 (5 pages)

Defines a trend for computer-aided design to be linked with computer-aided manufacturing to eliminate duplicated work, now that CAD is being used by more and more factories due to drastic price redoctions. Mentions, in passing, suppliers of systems for all sizes of computer.

New clues to where your time is going. W. Oncken in International Management Europe (UK), November 1984 (2½ pages)

Contends that the sources of time management difficulties are bosses (in particular), peers, and subordinates; defines management as "getting things done through others," and suggests attitudes to be adopted either as manager or the person being managed; argues that the initiative for resolving role conflicts between subordinates and bosses must come from subordinates.

These abstracts are condensed from the abstractaing journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p&p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Government

Changing tribal elites

BY SIR FRANK COOPER

ACCOUNTABILITY, accountants, audit, budgets, culture, education, efficiency, pnblic expenditure, training, and star chambers are all words that spring to mind when thinking critically about Whitehall and Westminster.

These words are frequently used by those seeking to bring about fundamental changes in the way Government works and carries ont its business. But what is really happening? Is real and lasting change likely?

The odds remain against long and lasting change. Certainly, some highly desirable achievements have been marked up. There have been large decreases of Government activity, functions have been shed which do not need to take place within Government, there is a whiff of a more competitive approach, and much greater attention is now being paid to management both in its own right and as a criterion for promotion. Yet serious doubts persist. Why?

The first cause of doubt is that there are very genuine problems about the practicality, let alone the acceptability, of raising the level of accountebility and anthority within the constricting confines of our parliamentary and political systems. The second reason for doubt lies in the very deeply rooted cultural attitude of the tribal elites in both Whitehall and Westminster.

The ability to bring about change is dogged by the doctrines of ministerial responsibility to parliament, whether this is in terms of the individual minister or of the collective responsibility of the government as a whole. How is this to be reconciled with making civil servants more accountable and giving them greater authority to manage.

Ministers, quite naturally, are primarily interested in their own survival, the success of their own political party and the short-term rather than the long-term.

If individual civil servants show too many signs of becoming genuinely accountable and seeking to exercise anthority, the ministerial alarm bells very soon begin to ring. In a constitutional sense the civil servant is there simply to manage, to implement and execute his or her Minister's policy. He or she is not there in any way to embarrass the Minister publicly or deviate in any way from the policies of thet Minister.

Furthermore, the civil servant is expected to manage within a whole variety of practical constraints. He is there to follow and observe the legal requirements laid down by Parliament. He is there to administer the law in accordance with the dictates of Parliament and on behalf of the Minister. Even if, for example, he is in charge of a major building project, or weapons, be remains accountable to his Minister and has to follow the rules and regulations laid down by Parliament and the Treasury.

Managerial

There is no room for being any kind of entrepreneur. In the social or economic sphere equity remains dominant. There is little room for the exercise of local judgment. All the clientele are to be treated — and are entitled to — the same standard of services.

When it comes to Parliamentary committees the civil servant again is required to perform in the context of a political environment and not a managerial one. The extent of the politics varies from committee to committee and much the least political committee remains the Public Accounts Committee.

The risk of a clash between the doctrine of ministerial responsibility and genuine managerial accountability and authority remains ever present. Woe betide the civil servant who creates political embarrassment for his Minister in a committee hearing. Woe betide the poor civil servant who discloses information in e way which is calculated to embarrass his Minister or the Government of the day. Woe — or rather much worse — betide the poor civil servant who implies that the Government or his Minister took a bad and stupid decision.

This whole area of the constitutional relationship between Ministers and civil servants and its impact on accountability and authority remains relatively virgin territory. The Heath Government in 1970-1973 sought to overcome it by setting up Executives of various kinds of which the most notable were the Procurement Executive of the Ministry of Defence and the Property Services Executive of the Department of the Environment.

Yet in terms of the individual civil servant'e relationship with his Minister in terms of his accountability to that Minister, these changes did not alter the constitutional relationship.

Heath's Government also concentrated on setting up Trading Funds, for example, in the Stationery Office and in the Royal Ordnance Factories. The institution of these funds certainly produced a change for the better in that it encouraged individual managers to manage and place more emphasis on management. Nevertheless, the constitutional relationships of Ministers and the individual civil servant remained the same.

Civil service management has improved, of that there can be no doubt. The size of our bureaucracy has been significantly reduced—the facts speak for themselves. Many trees have been uprooted or chopped down, yet the central wood of the constitutional impediment to real change remains totally intact. At present it can only be breached when functions are removed out of government or abolished altogether. Elsewhere it is inevitable that management eccountability and authority come to a grinding halt against the doctrine of ministerial responsibility. This doctrine remains a fundamental barrier to many of the claims and much of the talk about management efficiency and accountability.

What is to be done? Surely there is a pressing requirement to understand the meaning and implications of this very formidable barrier. There is also a pressing requirement to see whether it can be redefined and if so in what way. It cannot be ignored. There is a real need for a proper and public look at the problem to seek some kind of solution. Lasting change will require not merely continual improvements in management, in financial systems, in individual performance, but also some redefinition of sensitive and difficult constitutional issues. It is time they were tackled.

Sir Frank Cooper is the former permanent secretary to the Ministry of Defence.

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SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Friday May 10 1985

WALL STREET

Institutions return as buyers

WALL STREET'S financial markets recovered their poise yesterday after the shakeout of the previous session. The auction of 30-year Treasury bonds passed off successfully and the bond market recouped part of Wednesday's loss, *writes Terry Byland from New York.*

The stock market attracted significant institutional buying, which drove stocks strongly ahead at the end of the day. Spurred on also by firmness in bonds, stocks closed at the day's peak quotations bringing a net gain in the Dow Jones industrial average of 10.60 points at 1260.38. Turnover remained brisk, with 111.4m shares traded. A feature of late trading was a deal of 5m shares in Bethlehem Steel, which added $¼ to $16⅝, valuing the transaction at nearly $85m.

Oil stocks made little response to news from the Mobil annual meeting. Mobil stock fell $⅜ to $30⅛ after disclosing plans to sell $1bn assets over the next few years. At $61½, Atlantic Richfield fell $⅝, with turnover remaining heavy as the stock buyback programme continued. Exxon dipped $⅜ to $49⅞.

Firmness in motor stocks, featuring General Motors $1⅛ up at $69⅛ and Ford $⅝ up at $41⅞, gave a lead to the market. Technology stocks were more irregular, but NCR stood out with a gain of $1⅜ to $27⅜ at $127⅞. IBM added $¾.

Chemical stocks were mostly lower, although Monsanto, $½ up at $47, continued to find buyers. Allied weakened $⅝ to $44⅜. But pharmaceuticals responded to the downward shift in the dollar which benefits the heavy non-U.S. content of the industry's business. Merck added $1½ to $101¼ and Bristol-Myers edged up $¾ to $58⅝.

Transport stocks remained firm, led again by United Airlines, $⅝ higher at $46⅛. The trading losses at Pan Am had been foreshadowed in a board statement earlier this week, and the stock held unchanged at $5¼. Rail stocks, the other component of the Dow transportation average moved narrowly around overnight levels.

Retail stocks looked uncertain after a mixed batch of sales statements for April. K mart, with sales 13 per cent higher, added $¾ to $35⅝, and J C Penney at $47¾ gained $⅛ despite a 3.8 per cent downturn.

Mattel, the toymaker, traded $⅞ higher at $13½ after disclosing a turnround into profit in the latest quarterly period.

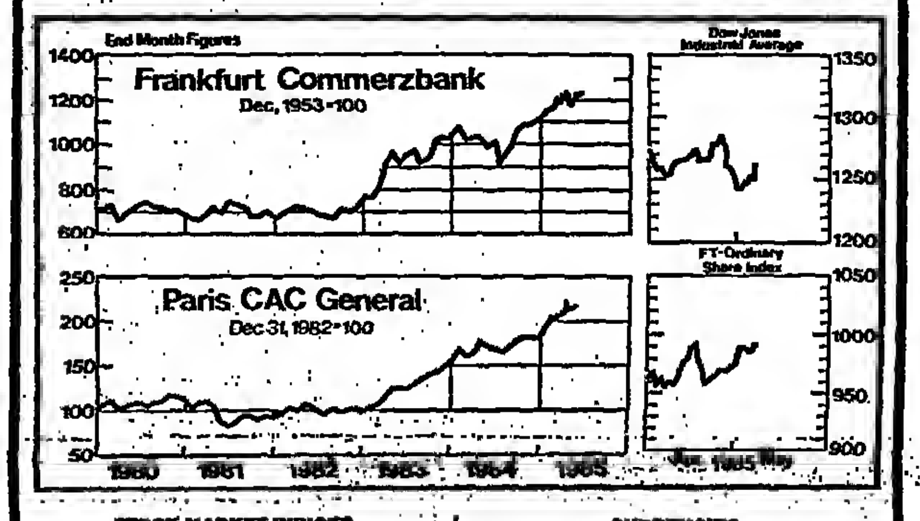
Stock in Continental Illinois Holding remained unchanged at $1 after the Federal Deposit Insurance Corp disclosed the loss taken on the loans it acquired from the Chicago bank in the largest bank hailout in U.S. history. The loan losses reported by the FDIC render the holding stock virtually valueless. Stock in Continental Illinois Corp, the newly shaped bank, traded at $7⅞, also unchanged from overnight.

Some other banking stocks moved up again, as investors responded to the benefits to bank earnings from the fall in money market rates. Bankers Trust remained the star turn, adding a further $1⅜ to $68¼. J P Morgan at $49⅞ gained $⅛, but Chase Manhattan at $54¼ and Manufacturers Hanover at $38¼ remained unchanged.

There were strong gains among the aerospace and defence stocks as investors took the view that the setback occasioned by the Senate's opposition to the Republican budget plans may have been overdone. McDonnell Douglas gained $2⅝ to $73⅜, Boeing $2¼ to $59¼ and General Dynamic $1⅝ to $69⅝.

Federal Funds traded at 8 per cent for most of the session, and there were minor falls in Treasury bill and money market rates. The bond market recouped a quarter point or so of its losses but traded quietly while awaiting news from the day's auction of 30-year Treasury securities.

KEY MARKET MONITORS



STOCK MARKET INDICES

	May 9	Previous	Year ago
NEW YORK			
DJ Industrials	1,260.38	1,249.78	1,165.52
DJ Transport	604.30	594.86	513.58
DJ Utilities	159.11	157.83	129.14
S&P Composite	516.93	180.62	160.11
LONDON			
FT Ord	991.1	988.5	884.9
FT-SE 100	1,306.3	1,307.9	1,109.9
FT-A All-share	629.22	629.86	517.16
FT-A 500	689.62	691.37	565.18
FT Gold mines	491.9	478.5	622.2
FT-A Long gilt	10.86	10.86	10.51
TOKYO			
Nikkei-Dow	12,474.51	12,521.2	11,060.3
Tokyo SE	981.07	983.37	865.79
AUSTRALIA			
All Ord.	889.0	889.6	750.5
Metals & Mins.	570.4	569.0	515.1
AUSTRIA			
Credit Aktien	94.83	92.71	54.79
BELGIUM			
Belgian SE	2,219.56	2,196.17	—
CANADA			
Toronto			
Metals & Mins	1,970.8	1,934.5	2,036.0
Composite	2,615.5	2,602.7	2,324.9
Montreal			
Portfolio	128.75	127.83	113.18
DENMARK			
Copenhagen SE	187.02	186.25	196.69
FRANCE			
CAC Gen	217.4	217.3	180.9
Ind. Tendance	119.1	118.8	94.1
WEST GERMANY			
FAZ-Aktien	425.86	424.73	353.92
Commerzbank	1,244.5	1,240.4	1,030.4
HONG KONG			
Hang Seng	1,610.09	1,621.45	939.71
ITALY			
Banca Comm.	285.63	281.26	213.24
NETHERLANDS			
ANP-CBS Gen	208.7	211.9	166.0
ANP-CBS Ind	172.1	173.1	132.8
NORWAY			
Oslo SE	331.46	330.28	296.7
SINGAPORE			
Straits Times	791.76	790.53	978.01
SOUTH AFRICA			
JSE Golds	–	1,031.7	924.4
JSE Industrials	–	895.6	991.3
SPAIN			
Madrid SE	111.36	110.48	85.62
SWEDEN			
J & P	1,455.41	1,449.56	1,538.64
SWITZERLAND			
Swiss Bank Ind	429.7	428.4	384.1
WORLD	May 9	Prev	Year ago
Capital Int'l	202.7	202.5	168.2

GOLD (per ounce)

	May 9	Prev
London	$315.50	$313.50
Zürich	$315.10	$313.00
Paris (fixing)	$314.86	$309.27
Luxembourg	$314.60	$313.40
New York (June)	$314.30	$314.20

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR May 9	U.S. DOLLAR Previous	STERLING May 9	STERLING Previous
$	–	–	1.237	1.208
DM	3.111	3.1915	3.85	3.85
Yen	251.5	253.2	311.0	305.5
FFr	9.49	9.725	11.725	11.75
SwFr	2.6145	2.6845	3.235	3.245
Guilder	3.512	3.609	4.3425	4.345
Lira	1,993.0	2,028.0	2,452.0	2,442.5
BFr	62.65	64.2	77.35	77.45
C$	1.379	1.385	1.7135	1.67

INTEREST RATES

	May 9	Prev
Euro-currencies (3-month offered rate)		
£	12⅜	12[illegible]
SwFr	5	5[illegible]
DM	5¾	5¾
FFr	10[illegible]	10[illegible]
FT London Interbank fixing (offered rate)		
3-month U.S.$	–	8⅝
6-month U.S.$	–	9[illegible]
U.S. Fed Funds	8.00*	7.00
U.S. 3-month CDs	8.00*	8.00
U.S. 3-month T-bills	7.75*	7.785

U.S BONDS

Treasury	May 9* Price	May 9* Yield	Prev Price	Prev Yield
9⅞ 1987	100[illegible]	9.64	100[illegible]	9.69
11⅜ 1992	103[illegible]	11.07	102[illegible]	11.14
11⅜ 1995	100[illegible]	11.20	99[illegible]	11.26
11¼ 2015	99[illegible]	11.33	98[illegible]	11.37
Corporate	**May 9***		**Prev**	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	97⅛	11.10	97⅛	11.10
3⅝ July 1990	77⅜	9.40	77⅜	9.40
8⅜ May 2000	78½	11.85	78½	11.85
Xerox				
10⅞ March 1993	93.839	11.80	93.839	11.80
Diamond Shamrock				
10⅞ May 1993	93⅜	12.00	93⅜	12.00
Federated Dept Stores				
10⅞ May 2013	88.503	12.00	88.503	12.00
Abbot Lab				
11.80 Feb 2013	97.436	12.05	97.436	12.05
Alcoa				
12¼ Dec 2012	97.545	12.50	97.545	12.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	71–22	71–26	71–15	71–13
U.S. Treasury Bills (IMM) $1m points of 100%				
June	92.24	92.27	92.19	92.21
Certificates of Deposit (IMM) $1m points of 100%				
June	91.72	91.74	91.67	91.70
LONDON				
Three-month Eurodollar $1m points of 100%				
June	91.40	91.40	91.31	91.30
20-year Notional Gilt £50,000 32nds of 100%				
June	104–21	104–23	104–09	104–16

COMMODITIES

(London)	May 9	Prev
Silver (spot fixing)	515.40p	516.80p
Copper (cash)	£1,308.50	£1,337.00
Coffee (May)	£2,096.00	£2,146.50
Oil (spot Arabian light)	$27.00	$27.00

LONDON

Overseas demand revives

REVIVED OVERSEAS demand for government stocks in London yesterday helped undo some of the damage caused by the recent bulge in UK money growth and bank lending. Most domestic institutions, however, remained wary of the market.

The main attraction for foreign operators was sterling's bright performance against other international currencies. Longs initiated the gilt rally and managed to recoup losses of up to ¾ sustained earlier in the week.

Equities were quiet but leading issues displayed a firm undertone. Debenhams featured again with 25p advance to 315p on results while NatWest added 12p to 652p.

Vickers, 12p higher at 318p, continued to be the best performer of the FT Ordinary index which finished a net 2.6 up at the session's highest of 991.1.

Chief price changes, Page 32; Details, Page 33; Share information service, Pages 34-35

HONG KONG

THE DECLINE in Hong Kong was prompted by late profit-taking but the Hang Seng index still held above the 1,600 threshold. An early 2.80 gain was reversed to leave the index a net 11.36 lower at 1,610.09.

Blue chips were broadly easier as Cheung Kong fell 30 cents to HK$17.40, Hongkong Land shed 5 cents to HK$6.05, Hutchison Whampoa turned 20 cents cheaper at HK$24.60 and Jardine Matheson dropped 10 cents to HK$11.90. SHK Properties was particularly hard hit with a 40-cent fall to HK$12.60. China Light and Hongkong Bank, however, both rallied 10 cents to HK$15.90 and HK$8.40 respectively.

HICB held at HK$3.75, Hong Leong eased 4 cents to HK$1.36 and Overseas Trust Bank dipped 5 cents to HK$3.15.

SINGAPORE

LACK of institutional buying in Singapore left most shares trading within a narrow range, and the Straits Time industrial index managed a modest 1.23 point rise to 791.76.

Norsechem reappeared on the active list and finished 14 cents higher at S$2.20 while Pegi, also actively traded, rose 3 cents to S$1.05 and Pahang Cons gained 1 cent to 67 cents.

SOUTH AFRICA

STRONGER demand for Johannesburg gold shares stemmed from the slightly firmer bullion price and left most mining issues higher by the close.

Free State Geduld sparkled with a R3.75 rally to R56.75 while Driefontein and Buffels both posted R1.50 gains to R51.25 and R82. The improved tone drifted across to other mining pitches with diamond leader De Beers and Rustenburg Platinum moving 20 cents higher to R10.80 and R16.60, respectively.

AUSTRALIA

AN INEVITABLE bout of profit-taking developed in Sydney as the All-Ordinaries index slipped from its recent peaks with a 1 point fall to 889.0.

BHP suffered a 10-cent decline to A$6.54 after its strong performance earlier this week while the future corporate structure of News Corporation, after Mr Rupert Murdoch's decision to apply for U.S. citizenship, generated some unease and forced a 20-cent fall in its share price to A$8.10.

CANADA

PRECIOUS metal mining issues staged a solid rally in a mixed Toronto with base metal miners gaining some ground in sympathy.

Gulf Canada was among the most actives with a C$¾ gain to C$20⅞ while Bell Canada, which is reported to have made a bid for Gulf, eased C$⅛ to C$40⅛.

Industrials, utilities and banks posted strong gains in Montreal.

TOKYO

Yen sparks rally in oil and gas

THE YEN'S sharp rally against the dollar sent investors scurrying to buy electric power, gas and oil stocks in Tokyo yesterday, but the broad market fell back in dull trading because of other unfavourable factors, *writes Shigen Nishiwaki of Jiji Press.*

Enthusiasm for some biotechnology and financial stocks which had advanced in the previous session faded fast as investors sold holdings to take quick profits.

The Nikkei-Dow market average dropped 46.69 to 12,474.51 on volume of 350m shares, little changed from Wednesday's 356m. Declining stocks outstripped those to gain by 411 to 353 with 160 issues unchanged.

As the yen rebounded to the 251 level against the dollar, the focus of attention shifted to shares that could benefit from a firmer local currency.

Oil stocks gained from the prospect of lower crude oil prices. Maruzen Oil added Y2 to Y295 and Showa Shell Sekiyu, Y26 to Y596. Nippon Yusen topped the most active list with 22.63m shares traded and put on Y11 to Y259.

Also prominent were electric power and gas stocks, expected to draw strength from lower import costs of crude oil. Tokyo Electric Power was actively traded, rising Y40 to Y1,600, Kansai Electric Power put on Y40 to Y1,480 and Hokuriku Electric Power Y50 to Y1,350. Tokyo Gas, second most active with 19.88m shares, firmed Y6 to Y195.

Among other issues, Fuji Electric drew strength from the company's diversification into new materials. The stock advanced Y9 to Y361.

Elsewhere, Tokyo Tekko moved the maximum Y80 to Y399 and Daito Woolen Spinning and Weaving advanced Y23 to Y415. Speculative trading for fast profits seemed responsible for the rise.

Biotechnology issues that had been favoured in the previous session fell back across a broad front. Kuraray eased Y10 to Y1,010, Mochida Pharmaceutical went the maximum Y500 down to Y10,500. Dainippon Pharmaceutical declined Y200 to Y4,400 and Kaken Pharmaceutical Y100 to Y2,640. Some recently favoured stocks continued to ease. KDD moved down Y610 to Y31,500, Nippon Television Network Y400 to Y10,570 and Toho Y280 to Y12,200.

Blue-chip stocks slid almost across the board in small-lot selling. Sony slipped Y100 to Y4,050 and Matsushita Electric Industrial Y10 to Y1,490.

Financials that had been spotlighted in the previous session fell on profit-taking. Dai-Ichi Kangyo Bank eased Y40 to Y1,520, Fuji Bank Y20 to Y1,560 and Nomura Securities Y30 to Y1,100.

The bond market weakened in response to a decline in U.S. bond prices on Wednesday when Mr Paul Volcker, U.S. Federal Reserve Board chairman, ruled out the possibility of easier credit.

Another depressant was heavy selling of bonds with about nine years remaining to maturity by some financial institutions serving the agricultural and forestry sectors. As a result, the yield on the benchmark 7.3 per cent government bond, due in December 1993, climbed to 6.656 per cent from Wednesday's 6.545 per cent.

EUROPE

Lower rates provide the impetus

THE easier tone taken by domestic interest rates in some centres, together with a further round of corporate results, provided the impetus for trading on the European bourses yesterday.

Frankfurt returned to the advance after Wednesday's pause and the Commerzbank index, up 4.1 at 1,244.5, set a third record high this week.

Volkswagen scored another strong gain, up DM 12.50 to DM 225.50, as the market reacted to the outcome of a favourable stock analysts' meeting. Daimler was DM 5.30 higher at DM 689.10 but BMW was unchanged at DM 373.

Tyremaker Conti-Gummi rose DM 1.20 to DM 140, despite announcing an unchanged DM 3 dividend on higher 1984 profits.

Recently-favoured bank stocks succumbed to profit-taking which left Dresdner Bank down DM 3.40 at DM 221.50. Bayerische Vereinsbank was unchanged at DM 346 with the market tending to ignore its announcement of a one-for-seven rights issue at DM 225.

In the chemicals sector, BASF gained just 10 pfg to DM 204 as it reported a DM 102m increase in first-quarter group pre-tax profit. Bayer rose 90 pfg to DM 212.70 and Hoechst gained DM 1.10 to DM 213.

Electricals saw Siemens up DM 1.70 to DM 543 while AEG rose DM 2.80 to DM 113.80 amid reports of strong 1984 earnings, ahead of the announcement next week.

Steel issues were mixed with Mannesmann 80 pfg lower at DM 160.70 as the company announced an unchanged DM 4 dividend.

Among engineering issues, Preussag was steady at DM 274.50 on the announcement of its higher dividend.

Bond prices were mostly higher with business buoyed by the dollar's overnight fall.

The Bundesbank Council's decision at its regular fortnightly meeting to leave credit policy unchanged came as no surprise.

Meanwhile, the Bundesbank sold DM 76.5m of paper after sales totalling DM 80.8m the previous day.

Zurich was higher in active trading, encouraged by declining local interest rates. The four leading Swiss banks are to cut their customer time deposit rates by a quarter of a percentage point to 4½ per cent, from today.

Nestlé lost an early gain to close unchanged at SwFr 6,620 in continued reaction to the managing director's comments on Wednesday that the company saw a further profit increase in 1985, after last year's increase.

Chemicals rallied on continued buying support by local and foreign investors. Ciba Geigy rose SwFr 10 to SwFr 3,030 while Sandoz was SwFr 50 higher at SwFr 7,925.

Bond prices were moderately higher on average volume, helped by the softer dollar.

The Brussels SE index rose a sharp 22.39 to 2,216.56 in continued reaction to Wednesday's 1¼ percentage point cut in the discount rate.

Banque Bruxelles Lambert put on BFr 20 to BFr 1,900 after the BFr 10 decline in the previous session as it announced plans for a one-for-four rights issue.

A cautious mood was seen in Paris with many investors holding cash in reserve for today's launch of a Dassault subsidiary. The undertone remained firm, however, helped by the rate on overnight call money which held at a six year low of 10¼ per cent for the third consecutive day.

Amsterdam eased in light trading with the market dominated by a Fl 7.70 fall in Royal Dutch to Fl 202.80. Profit-taking in the stock was the result of weakness in U.S. oil shares and the impact of the lower dollar.

Storage group Pakhoed fell Fl 2 to Fl 62.80, ex its Fl 3.60 dividend.

Bonds were generally higher in quiet trading.

Madrid was higher while Milan also advanced, led by a L9 advance to L75 by Finsider, the steel holding company.

Stockholm moved ahead in active trading as, against market expectations, the central bank decided not to raise interest rates.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.8	16	210	17⅛	16⅞	16⅞	-¼
19¼	9⅝	AGS			12	63	14⅝	13¾	13⅞	-⅜
18¼	9⅝	AMCA				12	11	11	11	
21½	13¾	AMF	.50	2.5	57	3780	20⅜	19¾	20	+⅛
43¼	24¼	AMR			10	5996	43	42	42¾	+¾
21⅜	18⅝	AMR pf2.18		10.		283	21	20¾	20⅞	-⅛
25⅞	22⅞	ANR pf2.87		11.		7	24½	24⅛	24½	
14¼	7¾	APL			45	39	9⅛	8⅝	9⅛	+¾
65¼	44¾	ASA		25.9		277	51⅞	51⅛	51½	+½
27	14⅛	AVX	.32	1.8	14	946	16¼	15⅞	17½	+1⅞
24⅞	10	AZP	2.72	12.	7	863	23¼	25	25⅛	-⅛
54	36¾	AbtLab	1.48	2.7	15	956	52⅝	51⅜	52⅝	+¾
25⅞	17	AccoWd	.44	2.2	17	129	22⅛	21¾	21¾	-⅜
21⅞	12½	AcmeC	.40	2.9		29	14¼	14	14	
10½	8¼	AcmeE	.32b	3.9	10	25	8¼	d	8	8¼
17⅝	16	AdaEx	1.92e	11.		51	16⅞	16¾	16⅞	
20	11⅞	AdmMl	.32	2.1	8	9	15½	15⅜	15½	+¼
10⅛	6⅝	AdvSys	.53t	5.2	16	38	10¼	9⅞	10⅛	+¼
41⅛	25⅞	AMD			13	6210	30	28½	29½	+1
12¾	6⅞	Advest	.12	1.3		33	9	8⅝	9	+⅜
14⅝	8¾	Aerflex			11	54	11⅞	11½	11¾	-⅛
48	27¼	AetnLf	2.64	5.6	33	4452	44⅞	44⅜	44¾	-⅛
58¾	52⅜	AetL	pf5.83e	11.		69	55½	55¼	55½	+⅛
38	18¾	Ahmns	1.20	5.6	14	752	33⅝	33	33⅜	+⅜
4⅛	2½	AIleen			22	47	3	2⅞	2⅞	

Continued on Page 31

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	3⅞	ADI n			20	31	4¾	4¾	4¾	
14¾	8¼	AL Labs .20		1.4	12	17	14⅛	13⅞	14	+⅛
22⅝	12	AMC n .12		.7	13	744	18¾	17	17⅞	−1½
5⅞	2⅝	AM Intl				419	3⅜	3⅜	3½	−⅛
79⅝	58	ATT Fd5.07e		6.4		110	79	78¼	79	+¼
9	2⅛	AcmePr				1	2¾	2¾	2¾	−⅛
14	8½	AcmeU .32		3.2	18	5	10	10	10	
18¼	9¾	Action			31	162	11	10½	10½	−⅛
8⅛	3	Acton				113	3½	3⅜	3⅜	
2⅛	5-16	Acton wt				7	5-16	5-16	5-16	
3⅝	1½	AdmRs			3	19	1⅞	1¾	1¾	−⅛
30¼	17¾	AdRusl .14		.5	20	22	29¼	29	29	−¼
23½	15	Adobe .28		1.6	11	56	17⅞	17⅝	17¾	+⅛
8⅝	4½	Aeronc			14	18	5⅞	5¾	5⅞	
45⅝	27⅝	AlliPb s .60		1.4	18	141	42¾	41¾	42	−½
9¾	5⅝	AirExp			23	12	6⅞	6⅝	6⅝	−⅛
11¾	5⅞	AirCal			12	290	8¼	8⅛	8⅛	+¼
10⅞	9¾	ArCal pf				291	e11	10⅞	11	+⅛
4⅞	1⅛	Alamco			28	1343	1¼	d	1	1⅛
101	65½	Almdo n			0	4	93¾	93½	93¾	
10½	6⅝	AlbaW			35	8	7¼	7¼	7¼	−⅛
8	5⅝	Alisha				46	7	6⅞	6⅞	−⅛
19	8½	Alphaln.05		.4	23	14	11¾	11½	11¾	+⅝
1	9-16	Altex				840	1⅛	1	1	−⅛
5-16	⅛	Altex wt				19	⅛	⅛	⅛	
36	28⅝	Alcoa pf3.75		11.		z350	34	34	34	+½
28⅛	11	AlzaCp			44	74	24⅝	24	24	−⅝
19⅛	8½	Amdahl.20		1.4	18	416	14	13⅝	14	+⅜
15⅞	9½	Amedco.08		1.1		77	7⅝	7⅜	7⅜	−¼
8¾	4⅞	AmBilt .16		1.7	5	252	u	9¾	8⅞	8⅞
34⅝	12¼	AExp wt				379	u35¼	33⅝	35⅛	+1¼
9	5⅜	AFruc A			13	z600	8⅞	8½	9½	
9	5⅝	AFruc B			12	z300	5⅞	5⅞	5⅞	
12¾	7¼	AHlthM			11	47	10⅜	10⅛	10⅜	+¼
19⅞	12⅝	AMzeA .52		3.8	31	2	14¼	14¼	14¼	−⅛
[illegible]										

Continued on Page 32

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

May. 9	Price Schs	+ or —
Creditanstalt	338	+5
Goesser	550	+10
Interunfall	870	+40
Laenderbank	518	+10
Perlmooser	580	+20
Steyr-Daimler	205	+9
Veitscher Mag	520	...

BELGIUM/LUXEMBOURG

May 9	Price Frs.	+ or —
B.B.L.	1,900	+20
Banq. Int. A. Lux	6,150	...
Bekaert B.	5,800	...
Ciment CBR	2,555	-25
Cockerill	250	+2
Delhaize	9,050	...
EBES	3,805	-10
Electrobel	8,400	+40
Fabrique Nat	1,905	+5
GB Inno BM	6,056	-25
GBL (Brux)	1,955	-15
Gevaert	5,720	+90
Hoboken	5,580	+60
Intercom	3,355	+35
Kredietbank	8,110	...
Pan Hldgs	11,000	...
Petrofina	5,850	+10
Royale Belge	11,850	+250
Soc. Gen. Banq.	6,095	...
Soc. Gen. Belge	1,865	-15
Sofina	8,900	+100
Solvay	4,245	+85
Stanwick Intl.	1,580	...
Tractionel	6,895	-25
UCB	4,870	+50
Wagon Lits	5,005	-45

DENMARK

May 9	Price Knr %	+ or —
Andelsbanken	295	+5
Baltic Skand	530	...
CopHandelsbank	287xr	+4
D. Sukkerfab	565	...
Danske Bank	502	+5
De Danske Luft	1,150	...
East Asiatic	215	+7
Forenede Brygg.	990	...
Forenede Damp.	157	+1
GNT Hldg	425	...
I.S.S.B.	485	-5
Jyske Bank	625	+15
Novo Ind	1,525	-15
Privatbanken	355	+9
Provinsbanken	355	...
Smidth (F)	244	-5
Sophus Berend	1,030	...
Superfos	447	+2

FRANCE

May 9	Price Frs.	+ or —
Emprunt 4½% 1975	1,715	+99
Emprunt 7% 1973	8,516	-19
Accor	574	-4
Air Liquid	625	+1
BIC	519	+9
Bongrain	1,995	+10
Bouygues	708	-2
[illegible]		
Nord Est.	96.8	-0.2
Pernod Ricard	707	-5
Perrier	626	-1
Petroles Fra.	266.5	...
Peugeot S.A.	349	+6
Printempt Aus	225.6	-9.5
Radiotech	280.1	-6.9
Redoute	1,380	-5
Roussel-Uclaf	1,750	...
Sefimeg	362	...
Skis Rossignol	1,615xc	+9
Telemech Elect.	2,480	...
Thomson CSF	535	...
Valeo	236	-5

GERMANY

May 2	Price Dm.	+ or —
AEG-Telef	113.8	+3.6
Allianz Vers	1235xr	-8
BASF	204	+0.1
Bayer	212.7	+0.9
Bayer-Hypo	357	+5
Bayer-Verein	348	...
BHF-Bank	284	-5
BMW	375	...
Brown Boveri	915	+0.8
Commerzbank	176.7	-1.5
Cont'l. Gummi	140	+1.2
Daimler-Benz	689.1	+5.5
Degussa	550	-1
D'sche Babcock	165	-0.5
Deutsche Bank	471.5	-5.2
Dresdner Bank	221.5	-5.4
GHH	147.2	-2.5
Hochtief	475	-5
Hoechst	215	+1.1
Hoesch Werke	108.5	+1.5
Holzmann (P)	434	+1
Horten	169	+0.5
Hussel	391	-1
Karstadt	228.5	-0.5
Kaufhof	226	-0.5
KHD	350	...
Kloeckner	71	+0.2
Linde	425	-1.5
Lufthansa	189	...
MAN	144.5	-2
Mannesmann	160.7	-0.8
Mercedes Hld.	608	+4
Metallgesel	251.9	+0.9
Munech Rueck	1,555	-5
Nixdorf	582	-1.8
Porsche	1205	-2
Preussag	274.5	...
Rhein West Elect	157	-0.2
Rosenthal	356	+1.2
Schering	458.5	-1.5
Siemens	545	+1.7
Thyssen	100.9	+2
Varta	193	+4
Veba	180.5	-0.5
V.E.W.	127.5	-0.4
Verein-West	512	...
Volkswagen	225.5	+12.5

ITALY

May 9	Price Lira	+ or —
Banco Com'le	17,250	+50
Bastogi IRBS	211.5	+6.5
B.I-invest	3,350	-25
Centrole	2,981	+17
Credito Varesino	5,902	+52
Fiat	2,979	+29
Finsider	75	+9
[illegible]		

NETHERLANDS

May 9	Price Fls	+ or —
[illegible]		
Nedlloyd	170	+1.4
Oce Grinten	519	-4
Ommeren (Van)	29	-0.4
Pakhoed	62.8	-2
Philips	53.9	-1.8
Robeco	75	-0.7
Rodamco	139.7	-0.3
Rolinco	68	-0.6
Rorento	44.9	-0.9
Royal Dutch	202.8	-7.7
Unilever	349.5	-9.5
VMF Stork	197	+18.5
VNU	209.5	-0.6
West Utr Bank	98.6	-1.6

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Closing prices May 9

MONTREAL

Closing prices May 9

OVER-THE-COUNTER

Nasdaq national market, closing prices

LONDON

Chief price changes

(in pence unless otherwise indicated)

RISES

Amersham Int'l	370	+20
Audio Fidel	38	+8
Barker & Dob	10¾	+3
Beatson Clark	176	+6
Belhaven Brew	59	+5
Charter Cons.	208	+8
Debenhams	315	+25
General Acc	593	+26
Gulfstream Res	90	+48
Habit Precis	64	+7
Higsons Brew	157	+17
Hillards	408	+10
Intasun Leis	125	+5
Lloyds Bank	592	+14
NatWest Bank	652	+12
Pentland Inds.	790	+35
Royal Ins	610	+25
Smith (David S)	134	+7
Stakis	66	+4
Sumner (F)	12½	+3
Sun (UK) Roy	190	+10
Vickers	318	+12
Wardle Stor	192	+15
Wire & Plas	68	+24

FALLS

BP	538	-15
Britoil	215	-10
Falcon Res	340	-30
Lasmo	298	-7
United Bis	175	-11
Wit. Nigel	71½	-8½

Continued on Page 40

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 31

LONDON STOCK EXCHANGE

MARKET REPORT

Overseas support for Gilts revives on sterling
Equities maintain firm trend

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 29	May 9	May 10	May 20
May 13	May 30	May 31	June 10
June 3	June 13	June 14	June 24

* "New-time" dealings may take place from 9.30 am two business days earlier.

A revival of overseas demand for Gilt-edged stocks in London reversed an early extension yesterday of the weak trend brought about on Tuesday by last month's unexpected surge in UK money growth and bank lending. Most domestic institutions remained wary of the market because of fears over Government funding requirements, but foreign operators showed few reservations on this score.

The main attraction for them was sterling's bright performance against other international currencies. A particularly good rate against a dollar, which was beset by a fresh wave of economic concern, brought a close of 2.9 cents up at $1.2370. Longer-dated stocks initiated the rally in Gilt-edged. Several decent buying orders shortly before midday soon found the market oversold and after the depression of the two previous sessions early losses of around ½ were regained.

The recovery continued on the back of the exchange rate and in the after-hours' trade, selected high-coupon gilts settled ½ up on the day. Business in the shorts was inhibited by interest rate considerations but near-dated index-linked issues attracted light support and managed small gains.

The equity sectors were quiet but leading shares continued to display a firm undertone. "Buy" recommendations from two top broking houses discouraged selling and the market thus maintained its firm stance ahead of the British Aerospace offer-for-sale; the application list for shares closes today. Speculative favourites again attracted attention with Debenhams changing hands briskly after announcement of the preliminary results and proposed scrip issue.

Vickers were again the best performer among constituents of the FT Ordinary share index, although NatWest benefited from general firmness in the clearing bank sector. The index showed minor improvements at most inter-day calculations before closing a net 2.6 up at the session's highest of 991.1.

Royals below best

Royal Insurance's £37.3m first-quarter loss was below recent pessimistic forecasts and the shares responded by touching a 1985 peak of 622p before closing the session 25 higher on balance at 610p. Other Composites gained ground in sympathy. General Accident, the next to report quarterly figures, on Tuesday, jumped 26 to 593p, after 600p, while GRE put on 13 to 703p, after 710p, and Sun Alliance added 7 at 453p. Reports that the state earnings-related pension scheme is likely to be phased out over a period of years unsettled Life issues which have been firm of late on hopes of an early abolition of SERPS. Equity and Law dipped 7 to 245p as did Prudential, to 665p.

Favourable reports emanating from a meeting with Lloyds and stockbroker Hoare Govett induced renewed demand for the major clearers. Lloyds advanced 14 to 592p, after 598p, while NatWest gained 12 to 652p, after 655p, and Barclays put on 9 to 377p, after 383p. Elsewhere, Royal Bank of Scotland's interim profits matched expectations but the close was a couple of pence off at 286p. Among Discount Houses, King and Shaxson hardened 2 to 176p following the results.

Traders were surprised and disappointed by the poor reception afforded to market newcomer Coloroll, the wallcoverings and furnishings group. Oversubscribed some 20 times, the shares opened at the offer price of 135p, but immediately succumbed to stag selling and reacted to 125p before staging a minor rally to close at 129p.

Business in Breweries was mainly confined to second-line counters. Vaux touched 280p before settling a net 4 to the good at 277p following the mid-term statement. Liverpool-based Higsons, the subject of persistent takeover speculation in recent weeks, returned to the fore and advanced 17 to 157p, after 164p following a newsletter recommendation. Belhaven also revived with a gain of 5 at 59p; the full-year results are expected in the next couple of weeks.

Leading Buildings fluctuated narrowly before closing virtually unchanged, but secondary issues displayed scattered gains. F. J. C. Lilley attracted support following a broker's lunch and firmed 4 to 68p, while Howard Shuttering improved the same amount to 47p on "new time" buying. Wilson (Connolly) moved up 8 to 212p in a restricted market.

ICI slipped to 745p before moving up after hours on American buying to close 9 higher on balance at 757p. Wardle Storeys gained 15 to 192p following better-than-expected interim figures. Elsewhere, persistent buying interest lifted Amersham International 20 to 370p.

Debenhams wanted afresh

Activity in leading Stores again centred on Debenhams which spurted 25 to a new peak of 315p, the movement owed more to revived takeover speculation that the full-year profits and proposed 20 per cent scrip issue. Other major Retailers drifted gently lower for choice reflecting the paucity of institutional interest, although occasional support was noted for Burton, 6 up at 458p, and for British Home Stores, 3 dearer at 298p.

Secondary Stores displayed no set trend. Fresh speculative demand lifted W. H. Smith "A" 8 to 216p, after 220p, and Owen Owen 5 more to 235p, while Goldsmiths revived with a rise of 9 at 224p. Reports of buoyant sales of record and compact discs lifted Our Price 15 more to 470p. In contrast, the sharply reduced first-half profits and interim dividend omission clipped 3 from Castle (G.B.), at 33p.

Apart from British Telecom, which hardened a couple of pence more to 155p following renewed institutional support, leading Electricals lost ground. The recently volatile Thorn EMI receded 7 at 435p and Plessey softened 2 at 180p. BICC declined 5 to 225p after the chairman's cautious statement at the annual meeting. Philips Lamps dipped ½ more to £12¼ on further consideration of the first-quarter profits decline. Elsewhere, Cambridge Electronics dropped 12 to 335p in the wake of the annual meeting, but Audio Fidelity advanced 8 to 38p in response to Press comment.

Vickers continued to hold the limelight in the Engineering sector, advancing 12 more for a rise of 42 to 318p since announcement of Reliance Financial Services' holding. Secondary issues featured a jump of 24 to 68p in Wire and Plastic, this following the proposal for Messrs Robl and Sorrell to acquire a stake in the company in order to assist forming a business plan for future expansion. Delta picked up 5 to 151p after clearance of a line of stock which had been overhanging the market, while Habit Precision advanced 7 to 64p in response to Press mention. Vosper, in contrast, gave up 8 to 250p following recent firmness on nationalisation compensation hopes.

The chairman's warning at the annual meeting that profits from its U.S. subsidiary Keebler were likely to be lower in the current year unsettled United Biscuits which fell away to close 11 down at the day's lowest of 175p. Elsewhere in the Food sector, Tate and Lyle drifted off to close 5 cheaper at 443p, while S. and W. Berisford gave up 4 to 161p. Barker and Dobson, however, gained 3 to 10½p on news that former Associated Dairies executive Mr J. D. Fletcher had accepted the board's invitation to become chairman. Selected provincial supermarket issues continued to attract buyers. Hillards, which spurted 26 on Wednesday as takeover speculation intensified, gained 10 more at 408p. William Morrison rose 14 to 366p ahead of the one-for-one share split due shortly.

Publicity given to a brokers circular helped Grand Metropolitan rise 5 to 282p. London Park Hotels firmed 7 to 367p following comment on the results, while Stakis put on 4 to 66p, after 68p, in reply to the good interim figures and confident statement.

Pentland Inds. up

Few leading miscellaneous industrials strayed from their previous closing levels. BTR, still benefiting from a presentation to brokers in Scotland, hardened 5 more to 729p for a two day gain of 17, while small rises were recorded in Beecham, 5 to the good at 353p, and Boots, a like amount better at 179p. Elsewhere Pentland Industries were active again on the company's plans for a separate U.S. quotation for Reebok of America; up to 780p initially, the shares reacted to 765p on profit-taking before moving ahead again to close at a new peak for the year of 790p, up 35 on the day. Evode, a recent takeover favourite, encountered profit-taking and ran back 6 to 130p, while Bestobell eased 9 to 227p following the annual report. Buyers showed interest in Cosalt, 5 to the good at 64p, while Beatson Clark, bought recently on bid hopes, advanced 6 to 176p. USM-quoted Stainless Metalcraft were noteworthy for a jump of 18 to 78p.

Intasun rose 5 to 125p following news of the group's joint venture with Ramada to buy and develop a major UK hotel chain. Elsewhere in the Leisure sector, Barr and Wallace Arnold Trust A continued to reflect the good annual results and put on 5 for a two-day gain of 16 to 107p.

Jaguar traded between 284p and 275p before closing 4 off on balance at 276p awaiting news from the annual meeting. Reliant, on the other hand, rose 4 to 53p; the interim results are expected during the next trading Account. Components featured AE which touched 158p in immediate response to the interim results before meeting with profit-taking and closing 4 off on balance at 150p.

Otherwise lacklustre Textiles featured recent "call" option favourite Francis Sumner, 3 up at 12½p.

Oils weak

Leading oils were unsettled by a combination of factors, most notably the weakness of oils in New York overnight, the recent bout of nervousness over international crude prices and the rise in sterling against the dollar.

Top quality issues were on the retreat from the outset and remained under pressure until the after-hours when prices staged a minor rally. BP and Shell bore the brunt of the selling pressure, the latter closing 23 down at 710p and the former settling 15 cheaper at 538p, after 533p. Sun (UK) Royalty moved against the general trend and posted a 10 gain at 190p on persistent talk of a North Sea oil find. Falcon Resources remained a nervous market and dipped 30 more to 340p.

Elsewhere, Gulfstream Resources jumped 48 to 90p on talk that the company is planning to sell its Middle Eastern interest.

Plantations featured Grand Central, 2 up at 13½p, after 14½p, on consideration of the latest compensation payment received by its Sri Lankan subsidiary.

Golds sharply higher

Currency fluctuations continued to play a major role in mining markets. Marked weakness in the dollar prompted another steady showing by the bullion price, which settled $2 firmer at $315.5 an ounce, and encouraged widespread demand for South African Golds from most international centres, especially from Johannesburg. Consequently, dollar prices for Golds raced ahead, with gains accentuated by a worsening of the recent stock shortage. The pound's rise against the dollar had a restraining effect on sterling quotations but these still registered substantial improvements. Gold Mines index, calculated in sterling terms, advanced 16.4 more to 491.9, its best one-day gain since March 22.

UK-registered stocks were again highlighted by Charter Consolidated which responded to renewed American support with a further 8 gain at 208p—a three-day rise of 26. Consolidated Gold Fields were up a like amount to 543p.

Australians paused for breath after the strong three-day advance, sentiment here being adversely affected by the decline in the Australian dollar against sterling, and the late downturn in domestic markets overnight.

Demand for Traded Options improved slightly with 6,685 contracts struck. British Telecom attracted 1,003 calls, 419 in the August 160's, and 332 puts, where the August 140's proved popular with 150 trades transacted. BP recorded 417 calls, over half of which were done in the July 600's, and 226 puts.

FINANCIAL TIMES STOCK INDICES

	May 9	May 8	May 7	May 3	May 2	May 1	year ago
Government Secs.	80.05	80.08	80.56	81.10	81.08	81.13	80.15
Fixed Interest	86.32	86.33	85.70	86.73	86.68	86.66	85.25
Ordinary	991.1	988.5	985.8	989.5	988.5	978.4	884.9
Gold Mines	491.9	475.5	470.4	465.3	486.4	487.1	622.2
Ord. Div. Yield	4.60	4.61	4.63	4.61	4.61	4.63	4.40
Earnings, Yld.% (full)	11.57	11.58	11.63	11.57	11.58	11.66	10.20
P/E Ratio (net) (*)	10.65	10.61	10.47	10.52	10.52	16.42	11.83
Total bargains (Est.)	24,896	24,319	23,850	24,156	25,542	18,161	20,045
Equity turnover £m.	—	346.69	381.63	333.24	447.58	325.64	309.87
Equity bargains	—	21,863	26,064	20,671	21,826	20,056	20,739
Shares traded (ml)	—	190.0	176.3	170.4	194.5	159.0	169.5

10 am 988.6. 11 am 989.0. Noon 991.1. 1 pm 989.7. 2 pm 989.2. 3 pm 988.8.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35 Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026

* Nil = 10.22.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (18/4)	78.02 (28/1)	127.4 (9/1/35)	42.18 (3/1/75)
Fixed Int.	86.12 (22/4)	82.17 (28/1)	156.4 (28/11/47)	50.35 (3/1/75)
Ordinary	1024.5 (22/1)	928.7 (8/1)	1024.5 (22/1/85)	42.4 (26/6/40)
Gold Mines	686.2 (15/4)	439.5 (25/1)	734.7 (15/2/83)	43.3 (26/10/71)

S.E. ACTIVITY INDICES

	May 8	May 7
Daily		
Gilt Edged Bargains	148.2	131.0
Equities Bargains	141.7	143.0
Equities Value	700.7	730.8
5-day Average		
Gilt Edged Bargains	135.8	129.5
Equities Bargains	136.0	135.1
Equities Value	738.5	745.4

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (70)

BANKS (1): Wagon Finance
BREWERS (1): Clark (Matthew)
BUILDINGS (3): Bellway; Vectis Stone; Wilson (Connolly)
CHEMICALS (1): Wolstenholme Rink
STORES (5): British Home Stores; Debenhams; Goldsmiths Group; Our Price; Stead & Simpson A
ELECTRICALS (8): British Telecom; Cable & Wireless; Intl Signal & Control; Memec; Molynx; Scholes (G. H.); Systems Designers; Western Selection
ENGINEERING (7): Cronite; GEI Intl.; Greenbank Ind.; Habit Precision; Haden; Hall (Matthew); Vickers
FOODS (4): Hillards; Low (Wm.); Maynards; Morrison (Wm.)
HOTELS (1): London Park Hotels
INDUSTRIALS (7): British Syphon; Friedland Doggart; Marshall (T.) (Lox.) A; Pentland Inds.; Prestwich; Stainless Metalcraft; Syltone
INSURANCE (4): Allianz Vers.; GRE; London United Invs.; Royal Ins.
LEISURE (3): Barr & W.A.T. A; Boosey & Hawkes; Fairline Boats
MOTORS (1): Woodhead (J.)
NEWSPAPERS (4): Bristol Evening Post; Haynes Publishing; News Intl. Spec. Div.; [illegible]
PAPER (2): Waddington (J.); Wight Collins RS
PROPERTY (5): Daejan (Hldgs.); Gable Hs 10¼pc 95-9; Mucklow (A. & J.); Peachey; Priest Marians
SHOES (1): Headlam, Sims
SOUTH AFRICANS (1): Barlow Rand
TEXTILES (2): Sumner (F.); Tootal
TRUSTS (3): Fundinvest Inc; Stewart Enterprise Inv; Intl Inv. Tst. Jersey
OILS (4): Gulfstream Resources; Highland Parts; National Oil; Pennine Resources
PLANTATIONS (1): Grand Central
MINES (1): Loraine

NEW LOWS (31)

AMERICANS (1): IU Intnl.
CANADIANS (1): Brascan
BANKS (2): Clive Discount; Smith, St. Aubyn
BUILDINGS (1): Rugby Portland Cmt.
CHEMICALS (1): Engelhard
ELECTRICALS (5): Acorn Computer; BICC; Philips Lamps; Racal Electronics; Sandeigh Elect.
ENGINEERING (1): Ash & Lacy
FOODS (1): United Biscuits
INDUSTRIALS (2): Kean & Scott; Ricardo Cons. Eng.; Sketchley
INSURANCE (1): Heath (C. E.)
LEISURE (1): Horizon Travel
NEWSPAPERS (1): Intnl. Thomson
PROPERTY (5): Edmond Hldgs.; Laing 6¾pcLn '00-05; Parkdale Hldgs.; Wingate Prop. Inv.; York Mount
SHIPPING (1): Common Bros.
TRUSTS (1): Cambrian & General
OILS (2): LASMO; Ranger Oil
MINES (3): Wit. Nigel; Blyvoor; Stilfontein

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Burmah Oil	17	255	+15
BTR	16	724	+12
Bowater Inds	15	284	+14
British Telecom	15	153	+ 3
Marks & Spen	14	136	+ 2
Am Elect Cmp	13	25	—
Bank Scotland†	13	155pm	—
Charter Cons	13	200	+16
Clayform Props	13	175	—
Pentland Inds	13	755	+35
BAT Inds	12	218	+ 5
Hillards	12	398	+26
Reckitt Colman	12	508	+ 2
ICI	11	748	+ 4

†Nil-paid

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. a Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Allotment letters or fully-paid. ■ Introduction. ⊕ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). ‡ Units comprising 4 Ord., 1 Warrant and £1.00 of 12½ per cent Uns.Ln. stk. 1995-99.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
AE	150	− 4
Burmah Oil	255	—
Coloroll	129	—
Commercial Union	215	+ 3
Debenhams	315	+25
Falcon Resources	340	−30
General Accident	593	+26
Higsons Brewery	157	+17
Jaguar	276	− 4
Royal Insurance	610	+25
United Biscuits	175	−11
Wardle Storeys	192	+15

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 7	May 17	Aug 8	Aug 19
May 20	June 7	Aug 29	Sept 9
June 10	June 21	Sept 12	Sept 23

For rate indications see end of Share Information Service

Declaration day in Options was quiet but calls were struck in Polly Peck, Francis Parker, British Telecom, Racal, Cronite, Oliver Prospecting, British Aerospace and Atlantic Resources. A put was taken out in AB Electronics, while a double option was arranged in Racal.

RISES AND FALLS YESTERDAY

British Funds	34	19	54
Corpns. Dom. & Foreign Bonds	16	22	37
Industrials	200	289	960
Financial & Props.	61	133	354
Oils	15	53	57
Plantations	1	5	11
Mines	58	37	85
Others	26	146	60
Totals	411	704	1,618

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thur May 9 1985 — Wed May 8 — Tue May 7 — Fri May 3 — Year ago (approx.)

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$325	10	8	—	—	—	—	$315.36
GOLD P	$290	—	—	60	2.60	—	—	"
GOLD P	$300	100	6.90 A	10	6.60	—	—	"
GOLD P	$320	—	—	20	14	—	—	"

[illegible]

TOTAL VOLUME IN CONTRACTS: 31,878

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jly.	Calls Oct.	Calls Jan.	Puts Jly.	Puts Oct.	Puts Jan.
B.P. (*556)	460	98	107	—	4	8	—
	500	68	70	90	0	17	62
	550	88	40	55	30	26	48
	600	7	17	26	67		
Cons. Gold (*534)	460	107	118	—	5		
	500	70	88	22	9		
	550	34	60	60	60		
	600	12	30	30	07		
Courtaulds (*133)	110	60	—	—	2		
	120	21	—	—	2		
	130	15	23	23	3		
	140	9	17	17	2		
	160	5	—	—	25		
Com. Union (*215)	180	60	64	—	2		
	180	40	44	—	6		
	200	29	34	32	2		

[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*184)	160	25	32	—	1½	2	—
	180	2	13	19	3	7	16
	200	8	8	12	17	20	24
	225	6½	4	6	37	38	41

[illegible]

May 9. Total contracts 6,665 Calls 4,669. Puts 1,996. * Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	1985 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100¾	99⅛	Treas 11¼pc 1985	99¼	–⅛	11.53	12.61
90	97¾	Treas 8¾pcCnv '85	98	—	8.07	12.93
101	99⅛	Exch. 12½pc 1985	99⅞xd	—	12.27	12.45
101	99⅛	Exch. 11¾pc '86	99	–⅛	11.79	12.07
99½	97⅛	Treas. 10pcCnv 1986	98	—	10.19	12.16
94½	92¾	Treas 3pc 1986	94	+⅛	3.19	9.42
100	97½	Exch. 10½pc Cv '86	98	–⅛	10.65	12.05
101	99¾	Treas 12pc 1986	100xd	—	11.99	12.01
97	94¾	Treas 8½pc 1984-86‡‡	96½	–⅛	8.81	11.77
105	102	Exch. 14pc 1986	102	–⅛	13.65	12.02
91	87¾	Exch. 2½pc 1986	91	—	2.75	8.91
104	101	Exch. 13½pc 1987	102	—	12.99	11.86
99¾	96¾	Treas 10½pcCv '87	97½	–⅛	10.51	11.82
90	85½	Exch 2½pc 1987	89½	—	[illegible]	9.20
99	96¼	Exch. 10½pc 1987	97¾	+⅛	[illegible]	11.90
93	89	Funding 6½pc '85-87‡‡	92	—	[illegible]	11.12
98½	95½	Treas. 10pc 1987	96	—	[illegible]	11.87
87¾	84¼	Treas 3pc 1987	87¼	–⅛	[illegible]	9.62
102	99¾	Treas. 12pc 1987	100	—	[illegible]	11.76
93¾	90¾	Treas 7¾pc 1985-88‡‡	92¾	–⅛	[illegible]	11.11
98¾	95¾	Exch 10½pc '88	97½xd	—	[illegible]	11.66
96	93¼	Treas 9¾pc Cv '88	95	—	[illegible]	11.70
83¾	80	Transport 3pc '78-88	83¾	–⅛	[illegible]	9.26
95¾	91½	Treas. 9½pc '88	93	–⅛	[illegible]	11.81
101½	97½	Treas 11½pc 1989	99	—	[illegible]	11.66
[illegible]	90¼	Treas 9½pc Cnv. '89	92	–⅛	[illegible]	11.78
[illegible]	79	Treas 3pc 1989	79	—	[illegible]	9.40
[illegible]	94	Treas 10½pc 1989	96½	—	[illegible]	11.74
[illegible]	92	Exch.10pc 1989	94	–⅛	[illegible]	11.78
[illegible]	93	Exch 11pc 1989	97	—	[illegible]	11.70
83	79	Treas 5pc 1986-89	82½	+⅛	[illegible]	10.05
[illegible]	103¾	Treas 13pc 1990‡‡	105	—	[illegible]	11.52
99	96	Exch 11pc 1990‡‡	97	—	[illegible]	11.66

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
64½	£82	₩Matheson 7¾%	£85	.....	Q7¾%	2.3	19.3	—
435	375	Metal Box £1	395	–2	†13.0	3.2	5.4	6.4
170	136	Metal Closures	145	–3	6.7	2.0	6.6	9.1
17	9	‡Metal Sciences 2½p	15	.....	—	—	—	—
104	73	‡Midland Marts	104#	.....	4.0	1.8	5.5	13.2
83½	68	Mitchell Cotts	74½	+½	t4.0	1.3	7.7	10.7
226	182	Morgan Crucible	224xd	.....	8.0	◆	3.1	◆
32	22	‡Morris (W) F.A. 20p	29½	.....	g0.5	◆	2.4	◆
105	91	Moss (Robt.) 10p	91	.....	◆12.5	2.5	3.9	13.2
81	68	Mysan Grp 10p	79½	–½	g2.5	3.4	2.2	◆
410	267	‡‡MW Computers	410xd	.....	6.0	◆	2.1	◆
43	34	Nash Inds.	38	.....	2.5	1.5	9.4	8.7
48	24	Neill & Spencer 10p	38	.....	—	—	—	9.0
35	14½	Newman Inds. 10p	35xr	.....	—	—	—	◆
34½	18¾	Do. 10pc Cn.Cnv.Pf.	34½xr	.....	10%	—	4.1	—
55	45	Nolton	55	+1	g1.3	4.5	2.9	9.2
183	146	Norcros	156	–4	t8.6	2.4	7.9	8.2
64	51	Nu-Swift 5p	51	.....	t2.4	3.2	6.7	6.7
95	68	Oakwood Grp	90	.....	d4.5	1.4	7.1	(13.2)
176	150	Office & Elect	173	.....	7.5	◆	4.3	◆
100	83	Ofrex 20p	85	.....	s4.0	2.6	6.9	7.4
58	37	‡Optometrics $0.01	47	.....	ss0.2c	—	3.3	49.9
475	312½	Oriflame £1	450xd	.....	23.4	1.3	7.0	14.0

For Osborne and Little see Paper/Printing

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
18	15	Ozenstone 12½c	37	.....	†Q4.5c	2.2	‡	3.9
£178	£158	Ozalid 9pc Cnv 87-92	£177	+1	Q9%	—	5.2	—
185	105	‡PCT Grp 10p	170	.....	g4.8	2.9	3.9	10.0
£14	£10¾	PLM 'B' Sk 25	£11½	.....	Q21.6%	◆	4.6	◆
193	169	PSM Intl.	190	–2	g5.25	◆	4.0	◆
60	50	‡Pacific Sales 10p	53	.....	g2.4	2.2	6.5	(8.0)
204	166	Parker Knoll 'A'	203	.....	9.0	2.8	6.3	8.0
373	205	Pauls	362	.....	◆F13.0	2.5	5.1	15.9
725	575	Pearson	715	.....	37.0	3.1	3.4	12.4
29	18	Peck Holdings	27	.....	—	—	—	◆
94	88	Peerless	88	.....	6.3	1.4	10.2	8.9
790	297	Pentland 10p	790	+35	2.6	◆	0.5	◆
48	33	Pentos 10p	48	+2	0.35	7.7	1.0	13.0
54	44	Phillips Patents	45	.....	1.25	—	4.0	—
£11¾	£10⅛	Photo-Me 50p	£11½	.....	9.45	6.6	1.2	—
323	272	Pilkington Br. £1	280	.....	◆12.5	2.9	6.4	6.1
£315	£225	Pitney-Bowes Cnv. Ln.	£244	.....	Q5½%	—	2.3	—

LEISURE—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
162	146	Mngmt. Ag. M. 10p	162#	.....	◆8.75	1.2	7.7	14.5
183	155	‡Media Tech Int 20p	173	.....	sg2.58	3.9	2.1	17.1
200	124	Mediamuster 10p	180	.....	t4.85	2.6	3.8	12.9
280	175	‡Miss World 10p	255	.....	3.6	4.1	2.0	17.4
177½	99	‡Mountleigh Leis.	99	.....	t3.75	0.5	5.4	43.8
39	15	‡Ohmsio Int 20c	26	.....	—	—	—	—
24½	19½	‡Owners Abroad	20½xd	.....	1.0	◆	7.0	◆
46	38	Photax (Lon.)	43	+3	—	—	—	—
24½	22	‡P'olly Radio NV 5p	22½	.....	1.07	◆	11.9	◆
90	55	‡Pineapple Dnc St 10p	58	–2	d1.5	1.2	3.7	31.2
450	346	Pleasurama 5p	445	.....	g9.2	◆	3.0	◆
96	77½	‡Pres Entertain 50p	90	.....	g2.0	2.1	3.2	21.1
65	28	‡Radio City 'A' NV	55	.....	5.6	0.9	14.5	10.6
55	43	‡Radio Clyde N/V	48	.....	3.25	2.0	9.7	7.3
63	37	Riley Leisure 10p	52	–1	0.7	—	‡	—
193	143	Saga Hols. 20p	172	–3	4.0	2.1	3.3	18.1
£11¼	540	Samuelson Grp £1	£11	.....	t9.0	3.6	—	9.5
39	25	‡Sangers Photo 10p	37	+1	s2.0	1.1	7.7	16.0
202	138	‡Scarro 50p	185	.....	g3.68	◆	2.0	◆
156	128	Scott. TV 'A' 10p	128xd	.....	8.8	◆	9.8	◆
508	319	SeaCo Inc $0.125	365	+14	—	—	—	—
15	9	‡SelecTV 10p	14	+1	—	—	—	—
140	28	‡Sorcimum 5p	40	.....	tg2.0	4.8	‡	4.8
32	23	TSW 5p	25	.....	1.5	2.6	8.6	6.4
142	110	TVS N/Vtg 10p	115	.....	6.0	2.2	6.3	8.4
235	132	‡Television Svcs 50p	230	.....	(1.5)	◆	0.9	◆
79	69	Tottenham Hotspur	75	.....	†t2.3	1.6	7.6	(12.4)
260	182	Trid'nt TV 'A' 10p	245	.....	◆7.5	1.8	4.4	17.5
160	106	‡21st Century Dvl	106	–2	—	—	—	—
165	110	‡Tyne Tees TV 'A' £1	110	.....	†10.5	2.3	‡	4.4
92	84	Ulster TV N/V 'A'	88xd	+2	t4.75	◆	7.7	◆
26	20½	Webb (Jos.) 5p	22	.....	d0.51	1.0	3.3	41.5
26½	20	‡Williams (Rex) 5p	21	.....	d0.91	—	6.2	—
113	93	Zetters 5p	111	–2	†3.25	3.0	4.2	11.3

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
43	34	BL 50p	35	+1	—	—	—	—
325	290	Gen. Mtrs. Units	298	.....	Q12c	—	3.5	—
557	395	Honda Motor Y50	438	–9	Q24%	8.6	9.4	1.4
363	252	Jaguar	278	–4	g7.75	4.8	4.0	6.3

MINES—Continued

Miscellaneous

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
350	140	‡Centennial Min'ls.	150	.....	—	—	—
120	70	‡Colby Res Corp.	80	.....	—	—	—
550	450	Cons. Murch. 10c	450	.....	†Q100c	1.4	10.8
40	28	‡Ennex Int. Ir10p	34	.....	—	—	—
117	73	‡Greenwich Res. Inc.	87	+10	—	—	—
215	157	Hampton Areas 10p	395	–2	3.75	2.1	2.6
260	160	‡Highwood Res.	180	.....	—	—	—
£22½	£18	Homestake Mining $1	£19¾	–½	Q20c	—	0.8
310	190	‡McFinley Red Lake	270	.....	—	—	—
300	195	‡Musto Explorations	260	.....	—	—	—
56	23	‡New Sabina Res C$1	47	.....	—	—	—
375	260	Northgate C$1	335	.....	—	—	—
685	581	RTZ	635	–3	20.0	2.7	4.6
£145½	£129	Do. 9½pcLn '95-2000	£136½	–½	Q9½%	14.0	7.1
£13¾	£10	‡Tara Expon $1	£13	–½	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ◊◊ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1985. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	100	.....	Arnott	378	.....
Craig & Rose £1	£9	.....	CPI Hldgs.	58	.....
Finlay Pkg. 5p	61	.....	Carroll Inds.	118½	.....
Higsons Brew	157	+17	Dublin Gas	54	.....
Holt (Jos) 25p	750	+5	Hall (R. & H.)	85	.....
IoM Stm. £1	95	.....	Helton Hldgs.	14	–1
IRISH			Irish Ropes	43	.....
Exch. 12% 1985	£100	.....	Jacob (W. & R.)	72xd	.....
Nat. 9¾% 84/89	£89¾	.....	Unidare	83	.....
Fin. 13% 97/02	£98¼	.....			

OPTIONS—3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	18
BAT	33	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	68	Brit Land	12
Babcock	14	'Imps'	18	Cap Counties	18
Barclays	40	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props.	14
Bowaters	28	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brit. Oil & Min	◆
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	38	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 31

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

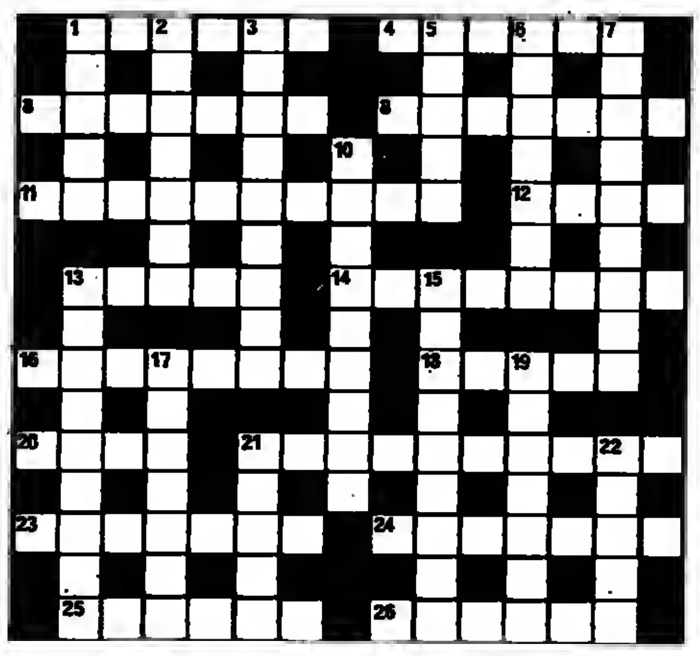
Britannia Viewpoint 01-675 6666

UK Specialist Funds

Growth Gilt Trust	51.9	52.7	—	0.73
Recovery	79.3	84.6	−0.2	2.79
Smaller Cos	115.2	122.9	+0.3	1.24
Spec. Mkt. Sits.	73.9	78.8	+0.2	1.53
UK Growth (Domestic)	31.6	33.7	−0.1	3.12
High Income Funds				
Extra Inc.	51.0	54.4	−0.1	7.87
Gilt	25.3	26.6	−0.1	4.69
Inv & Growth	151.8	161.9	−0.1	4.49
Nat. High Inc.	146.9	156.7	+0.2	5.94
Pref. Shares	17.2	18.3	−0.2	11.28

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,714

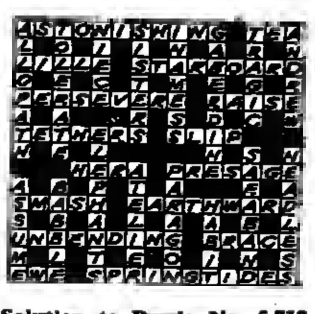


ACROSS

1 Batting team appears exclusive (6)
4 Keep clear of cheese spread endlessly by women (6)
8 Semi - conducting element wound in coils (7)
9 Pole in centre shows rust (7)
11 Irish country-club (10)
12 Given topping stuff, showing bad cold symptoms (4)
13 Caterpillar of a popular variety (5)
14 Advantageous position from which to see subjects on canvas? (8)
16 Fit standard lower, yet still moving initially (8)
18 Faded looking dust in Wyoming (5)
20 Milton's famous goad? (4)
21 In a phone-box, I go to pieces—it's enough to keep me at home . . . (10)
23 . . . I am in mental distress—there is something wrong (7)
24 Cheeky type to fight at the line (7)
25 Pitching on the platform? (6)
26 Sinister shout of terror holding English record (6)

DOWN

1 Hibernian flag hard to open (5)
2 Scotch manufacturer more quiet? (7)
3 Heavily - backed Arab thoroughbred? (9)
5 Animal showing reluctance to exert itself (5)
6 Unduly bold type of verse (7)
7 We would contract and send out—always in twenty-four hours (8)
10 Timon united with Mary in it? (9)
13 Decorators use it, having initiative with brush . . . (4-5)
15 . . . the lead in it is in columns (9)
17 Bow as Roman, perhaps? (7)
19 Some Conservative leaders love to encourage this Whip (7)
21 What is rare in air?—Ten to one put up against nitrogen (5)
22 Hard piece from a trumpeter (5)



Solution to Puzzle No. 5,713

INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd

National Provident Institution

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

New Zealand Insurance PLC

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

London Life

London & Manchester Group

Property Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

M & G Group

Provincial Capital Life Assc. Co. Ltd.

MGM Assurance

Provident Mutual Life Assc. Assn.

Manufacturers Life Insurance Co (UK)

Provincial Life Assurance Co. Ltd.

Merchant Investors Assurance

Prudential Pensions Limited

Reliance Mutual

NEL Pensions Ltd.

Royal Life Insurance Ltd.

Save & Prosper Group

Schroder Life Assurance Ltd.

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tunbridge Wells Equitable

Tyndall Assurance/Pensions

UK Life Assurance Co Ltd

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur. Co. Ltd.

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

Adig Investment

Albany Fund Management Limited

Alliance Capital Management Intl Inc

Arbuthnot Securities (C.I.) Ltd.

Aries Fund Management Ltd.

Bank of America International S.A.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Britannia Intl. Investment Mgmt. Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd

CAL Investments (Bermuda) Ltd

Capital International Fund S.A.

Capital Preservation Fund Intl.

Cater Allen Investment Management (C.I.)

Charterhouse Japhet

Charterhouse Japhet Currency Mngt. Ltd.

Citibank (CI) Ltd "Citifunds"

Commodity Advisory Service (IoM) Ltd

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd.

Dunn & Hargitt Group

EBC Trust Company (Jersey) Ltd.

The English Association

Ermitage Management Ltd.

Ermitage Management Cayman Ltd.

S.G. Europe Obligations S.A.

Eurolux Investments Ltd.

Fidelity International

Fleming Group

Forbes Securities Management Ltd.

Foreign & Colonial Management Ltd.

Framlington Overseas Fund Mngt. Ltd.

Frankfurt Trust Investment-GmbH

Frobisher Fund NV

G. T. Management (U.K.) Ltd.

Gartmore Fund Managers Ltd. Agents

Assicurazioni GENERALI S.p.A.

Global Asset Management Corp.

Granville Management Limited

Grieveson Mngt (CI)—Barrington Fund

Grindlay Henderson Mngt Ltd.

GRE International Invest Mgrs Ltd

Guinness Mahon Int. Fund (Guernsey)

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd.

Hill Samuel Investment Mgmt. Intnl. S.A.

Hodburn Fund Mngmt (Guernsey) Ltd.

Holborn Fund Mngmt. (Jersey) Ltd.

I.C. Trust Managers Ltd.

IGF Management Services Inc

N.V. Interbeheer

International Bond Trust

Investissements Atlantiques SA

Invicta Investment Management

Jardine Fleming & Co. Ltd.

Leopold Joseph & Sons (Guernsey)

Kleinwort Benson Group

Korea International Trust

The Korea Trust

Lazard Brothers & Co (Guernsey) Ltd.

Lazard Brothers & Co. (Jersey) Ltd.

Lewis & Peat, Clarke (Guernsey) Ltd

Lloyds Bank (C.I.) U/T Mgrs.

Lloyds Bank International, Geneva

Lloyds Intl. Money Market Fund Ltd

Lloyds Life (Isle of Man) Ltd

Louis Dreyfus Commodity Fund

M & G (Cayman) Ltd.

Management International Ltd

Manufacturers Hanover Geofunds

Midland Bank Tst. Corp. (Jersey) Ltd.

Minerals, Oils Res. Shrs. Fd. Inc.

Samuel Montagu Ldn. Agents

Murray, Johnstone (Inv. Adviser)

NEL Britannia Int Ass Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Newport International Management

Newcap Fund Managers (Bermuda) Ltd

Normandy Trust Managers Ltd.

Northgate Unit Tst. Mngrs. (Jersey) Ltd.

Pacific Basin Fund

Parisbas Bond Fund S.A.

Perpetual UT Mngrs (Jersey) Ltd

Phoenix International

Providence Capital International Ltd.

Putnam International Advisers Ltd

Quilter/Reinald Commodities

Rea Brothers (IoM) Ltd

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Rothschild Australia Asset Mgmt. Ltd.

Bacon Woodstock (Bermuda) Limited

Royal Bank of Canada Funds

Royal Trust International Fd. Mngt. Ltd.(x)

SCUTECH S.A.

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

J. Henry Schroder Wagg & Co. Ltd.

Schroder Unit Trust Mgrs. Int. Ltd.

Schweppes Kemp-Gee Mngmt., Jersey

Securities Selection Ltd.

Sentry Assurance International Ltd.

Singer & Friedlander Ldn. Agents.

Standard Chartered Off. Money Mkt Fund

State St Bank Equity Hldgs NV

Strategic Metal Trust Mngrs. Ltd.

Stronghold Management Limited

TSB Trust Funds (C.I.)

Taiwan (R.O.C.) Fund

Tennant (Cayman) Managers Ltd and NATCO

Tokyo Pacific Holdings NV

Tokyo Pacific Hldgs. (Seaboard) NV

Tyndall Bank (Isle of Man) Ltd.

Tyndall Managers

Tyndall International Assurance Ltd

Tyndall-Guardian Mngt Ltd

R. G. Tyrrell & Co. Ltd.

Unico Invest Fd Mgt Co SA Lux

Union-Investment-Gesellschaft GmbH

Unit Trust Services (Jersey) Ltd

United Fund Managers Ltd

S.G. Warburg & Co. Ltd. and subsidiaries

Wardley Fund Managers (Jersey) Ltd.

Wardley Investment Services Ltd.

West Avon Secs. (Guernsey) Ltd

World Wide Growth Management

Yamaichi Dynamic Mngt Co SA

Money Market Trust Funds

The Money Market Trust

Oppenheimer Money Management Ltd

Money Market Bank Accounts

Aitken Hume

Bank of Scotland

Barclays Prime Account

Britannia Grp of Investment Companies

Charterhouse Japhet plc

Co-operative Bank Cheque & Save

Dartington & Co Ltd

Henderson/Bank of Scotland

Lombard North Central PLC

Midland Bank plc

Provincial Trust (formerly Cheshire Bros)

Save & Prosper/Robert Fleming

Tyndall & Co

J. Henry Schroder Wagg & Co Ltd

NOTES—Gross rate is those exempt from composite rate of tax. Net: Actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. †† Only available to charitable bodies. ☆ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Crude oil price index to start next Tuesday

BY JOHN EDWARDS, COMMODITIES EDITOR

THE International Petroleum Exchange in London plans to start issuing its own daily oil price index, from Tuesday next week, as a step towards relaunching e crude oil futures contract, it was announced in e letter to members yesterday.

The IPE crude oil index will be based on 15-day cargoes of Brent blend ex Sullom Voe, and will be compiled from reports in the media. It will be launched on a trial basis to assess trade reaction. After a few months it will be reviewed to see if it provides a satisfactory basis for a futures contract, with a cash settlement as an alternative to physical delivery.
—MACH. No. 10 — — LC2

London's first attempt to lounch a crude oil futures market in November 1983 collapsed three months later owing to lack of support partly because of insurmountable delivery problems with the contract.

Sinee then futures markets based on an index have been established on several exchanges, included the Baltic Freight futures exchange (Biffex) launched earlier this month. The New York Mercantile Exchange crude contract has proved a winner, attracting increasing support, and several of the major oil companies, who previously scorned futures trading, are now keen to establish a European crude contract, based on Brent oil.

Meanwhile the London sugar futures market announced yesterday that it will relaunch its white (refined) sugar contract next Monday, with e number of changes in the terms. Trading in the white sugar contract, which was first introduced a year ago, has been suspended for the post two months owing to lack of interest. It is hoped that the revised terms, aimed at appealing to tha trade, will bring back some of the business London has lost to tha Paris white sugar market.

Coffee prices drop sharply

By Our Commodities Editor

LONDON COFFEE prices dropped sharply on tha Rohusta futures market yesterday, following sustained speculative selling. Tho July position closed £51 down at £2,155 a tonne.

The decline started in the New York market overnight and was accelerated in London by the sharp rise in tho value of sterling against the dollar. Dealers said that in the obsence of fresb fundamentol news, more attention was paid to chart indications and the fact thot speculative funds appear to have completed the "short covering" purchases that previously helped drive the market higher.

Cocoa managed to resist the downward pressure exerted by the rise in sterling, as dealers fel the market had become somewhat oversold during the decline ol the past month. The New York Cocoa Exchange was dne to hold e special meeting to consider whether any action should be taken to relieve a potentially dangerous situation in the spot (May delivery) contract. There is reported to be a large "open" position of over 2,200 lots mainly held by one company holding out for dolivery from sellers who insufficient cocoa supplies available to meet their commitments.

● FRENCH cocoa grindings ings fell sharply to 9,695 tonnes in fourth quarter 1984 from 11,725 tonnes in fourth quarter 1983, tho Chocolate Manufacturers' Association said.

Grindings for tho full year foll to 47,170 tonnes from 1983's 47,680 tonnes, e spokeswoman for the assocíotion said.

● JOHNSON MATTHEY bas cut its European base price for rhodium to $925 per troy ounce from $1,00, effective immediately, the company said. Iridium and ruthenium were also lowered to $460 and $130 per troy ounce respectively, down $15 and $20.

The cuts followed sharply lower rhodium free market prices when business was reported down tn $790 per troy ounce, e fall of over $100 from the previous day, according to free market traders.

Chris Sherwell reports on the crisis hitting a major exporting sector

Philippines sugar industry heads towards collapse

AMID the political and economic turbulence engulfing the Philippines, one major export industry — sugar — has entered a state of crisis and, in the view of many, is on the brink of collapse.

Only last weekend a convention of agitoted sugar producers and a rally of angry workers took place in Bacolod City, heart of the country's "sugar bowl" on tha island of Negros in the central Philippines.

The rally's SOS theme — Savo Our Sugar — was no exaggeration. Some 3m people depend on the industry, and this year about 450,000 workers, the bulk of the country's sugar labour force, bave heen laid off early.

The lay-offs follow e slashing of production from 2.3m tonnes in tho last crop year, ending September 1984, to less than 1.5m tonnes this year. With another drop forecast next year, o number of the country's 42 sugar mills are certain to shut down soon.

The immediote cause of these problems is external. World over supply has depressed free market sugar prices to below three U.S. cents a pound, little more than e quarter of the Philippines' production costs. There is little immediate prospect of a turn-round in the market.

On top of this, the size of the Philippines' 13½ per cent share in the protected U.S. market, where prices are 20 to 21 cents a pound, is contracting. Last year's share was 410,000 tonnes, but this year it is 343,000 and next year will probably be smaller. Separate four-year contracts with foreign companies at 23.5 cents e pound are also expiring.

The Government of President Ferdinand Marcos, is also being accused of responsibility for the crisis, principally because of tho highly inefficient monopoly it has operated.

The man at the centre of the sugar business is Mr Roberto Benedicto, a wealthy associate of President Marcos. He controls the Philippines sugar commission (Philsucom), the industry's policy-making and regulatory body, and its trading arm, until recently called the National Sugar Trading Corporation (Nasutra). He also controls Republic Planters Bank, which provides loans to planters.

Philsucom allocates sugar production for export and domestic consumption end fixes buying prices. Hitherto it has been responsible to no one other than President Marcos, and has been seen as a law unto itself. Under changes announced in March, it will have six representatives elected by planters and millers, and three government figures—the Minister of Agriculture, the Minister of Trade and Industry and the Central Bank Governor.

Critics doubt that this will bring it under proper control. They point to the awkward division of government representation, and suspect that the us of proxy votes for the election, dne on May 18, will in tho current crisis ensure compliant producers' representatives.

If this happens, it may mean that the conflict between Philsucom's regulatory interest and its trading, which resulted in a too-cosy relationship in the past, will not end. This would me serious because Nasutra—renamed the Philippines sugar marketing corporation (Philsuma)—stands accused by several quarters of hurting those working in the indsutry.

For example, it has been attacked for failing to secure a larger share of the U.S. market when Washington re-introduced quotas in 1982. It has also been accused of denying producers their rightful due, either by meeting export contracts with cheap sugar bought on the world market or by giving local planters an unfairly low proportion of the proceeds.

On top of this it has been established that Nasutra has operated a system of "paper traders" in tho 1m-tonne domestic market. These are favoured middle men apparently selected for their influence who have received allocations of sugar in the form of warehouse receipts which can be sold on to real traders et a hefty profit.

A University of the Philippines study put the losses to tho industry from al these practices at 11bn-14bn pesos ($600m-$760m) since 1974, but the real truth of tho accusations is impossible to verify because neither Nasutra's policies, nor its books, have been open to public scrutiny.

Last year Mr Benedicto was accused in the national assembly of illegally importing 287,000 tonnes of sugar into the country, evading duties. He has insisted the sugar was to be refined and re-exported, but opposition politicians believe it may havo been used to depress thes local market at a time when Nasutra's trading monopoly was going to be ended under pressure from the World Bank.

In the event, Nasutra was allowed to retail its function as sole exporter and only domestic sugar trading was freed. But local traders now say they are not receiving any payments for their sugar, worsening their already illiquid position. One miller and trader calculates from his problems that Nasutra/Philsuma probably owes the industry up to 1.5bn pesos for this crop year alone. Yet it is inexplicably "broke."

In such circumstances the longer-term fate of tho industry looks gloomy. Tho rationalisation being forced in production and milling this year should preserve the industry's core, so that output simply covers the domestic market and the U.S. quota. The World Bank is considering a fuel-from-sugar project, following the Brazilian example, which would help further.

But it is clear that the severe pain of this rationalisation is unfairly shared, and that Government assistance—another 96m pesos-worth was announced last week—remains inadequate. Foreign aid may also fail to convert lands to other crops, given that cana is so much easier to grow and manage in the typhoon zones of the Philippines.

Lead and zinc markets fall despite strike news

BY OUR COMMODITIES EDITOR

NEWS that workers at the giant Cominco lead-zinc plants at Traill and Kimberley, British Columbia, are to go on strike on Saturday failed to have any impact on the London Metal Exchange lead and zinc markets yesterday. Instead of prices going up, values came crashing down. Zinc was particularly hard hit. Tha crash price dropped by £21 to £688 a tonne, Cash lead closed £8.75 down at £302.75 a tonne.

Traders said the possibility of a stoppage had already been discounted to some extent, and the markets reacted instead to tho rise in the value of sterling. Traill and Kimberley last year produced 285,000 short tons of zinc and 130,000 tons of lead. There are 4,400 union workers at the plants.

Aluminium also failed to respond much to the announcement by Alcoa, th big U.S. producer, that it proposed to cut output by a furthor 31,000 tonnes. The company said the reduction, which would reduce its production to 84 per cent of its annual operating capacity of 1.43m tonnes, resulted from world stock holdings continuing to depress prices to an unsatisfactory level. On the Metal Exchange yesterday cash aluminium closed £30.5 down ot £908 a tonne.

There was hectic trading on the copper market. The higher grade three months price fluctuated from a high of £1,256 to a low of £1,226 and closed £11.25 down on the previous day at £1,236.5 a tonne.

U.S. farmland support scheme

BY NANCY DUNNE IN WASHINGTON

THE U.S. Farm Credit Administration is considering creating an agricultural conservation corporation to purchase excess farmland in an attempt to stem plummeting land values, according to its top regulator, Mr Donald E. Wilkinson.

The farm credit system, which lends to the most credit-worthy U.S. farmers through a network of co-operative credit associations and land banks, has been under similar stress as the rural commercial banks and farmers themselves. One of its 37 intermediate credit banks is now operating only because of funds provided by the other intermediate banks. Several of the local production credit associations have been liquidated or merged.

The regulators say the system is sound—worth $12bn (£10bn) on paper—but they acknowledge that they are worried about declining asset values, which raise the cost of credit to other farmers and could leave unsellable land in their hands.

At a recent senate hearing, Mr Wilkinson said the proposed conservation corporation would lease land to farmers or conserve marginal soil until land prices stabilised when it could be sold. He acknowledged, however, that the cost of the programme, in view of the need to reduce federal spending, meant the scheme would need careful study.

In the meantime, other system officials have been dropping hints of trouble. The system, which was funded by the government 69 years ago but is now an independent co-operative, reported at the end of last year that it was carrying about $9bn in non-performing loans.

Its lenders, said Mr Wilkinson, have relatively small provisions for losses built into interest rates, so that reserves built up over the years "could be depleted quickly if losses are widespread."

Dr George Irwin, deputy governor of the Farm Credit Administration, said last week that the system is adjusting to the current farm crisis and "barring any unforeseen additional problems, there will not be a system-wide collapse."

Japanese ministries deny knowledge of grain plan

JAPAN's Ministry of International Trade and Industry and tha finance, foreign and agriculture ministries have denied knowledge of a government plan to ask Japanese trading houses to provide developing countries with low interest loans to buy U.S. grain, Reuter reports from Tokyo.

The financial daily Nihon Keizai reported thot MITI and tho Finance Ministry are promoting the idea in response to a U.S. proposal that Japan buy up to 10m tonnes of grain from U.S. government stockpiles to help reduce Japan's trade surplus.

The newspaper said the ministries are considering guaranteeing trading house loans to developing countries through the semi-government Export/Import Bank of Japan.

Trading house sources said they hava received no official request from the Government but added the houses would have problems meeting the request as they will not finance sales to countries with debt problems.

● China sold 956,000 tonnes of corn to South Korea in the first four months of this year, 72.8 per cent of Korea's corn purchases for the period, officials of the Korea Feed Association said.

The U.S. has traditionally been tho main corn supplier to South Korea. But officials said Korean traders bought only 357,000 tonnes of U.S. corn because Chinese prices were lower.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	£907.5-8.5	—30.5	—
3 months	£923.5-4.5	—30.5	930/922

Official closing (am): Cash 907-8 (941-2); three months 923-4 (951.5-25), settlement 908 (942). Final kerb close: 929-30.
Turnover: 13,350 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	£1307-10	—28.5	1360/1308
Three months	£1236-7	—11.25	1256/1226

Official closing (am): Cash 1,342-3 (1,325-35); three months 1,250-1 (1,230-40), settlement 1,343 (1,335). Final kerb close: 1,231-32.

Cathodes			
Cash	£1292-7	—22.5	1299
Three months	£1221-2	—15	1232/1221

Official closing (am): Cash 1,255-6 (1,245-7); three months 1,240-1 (1,228-9), settlement 1,259 (1,247).
Turnover: 34,550 tonnes. U.S. Producer prices 69.00/72 cents per lb.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	£302.5-5	—8.75	305.5/302.5
3 months	£304.5-5	—4.5	309/304

Official closing (am): Cash 302.5-3 (309.5-10); three months 304-5 (309-15). Final kerb close: 304-5.
Turnover: 9,000 tonnes. U.S. Spot: 20/21 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	£4450-60	—150	—
3 months	£4445-50	—140	4530/4425

Official closing (am): Cash 4,430-40 (4,650-5); three months 4,425-30 (4,620-1), settlement 4,440 (4,665). Final kerb close: 4,420-30.
Turnover: 1,120 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	£9551-3	—81	—
3 months	£9530-1	—60.5	9561
Standard			
Cash	£9551-5	—60.5	9550/9540
3 months	£9520-1	—60.5	9540/9500

Official closing (am): Cash 9,548-50 (9,560-70); three months 9,530-40 (9,580-5), settlement 9,550 (9,570).

Standard: Official closing (am): Cash 9,548-50 (9,580-70); three months 9,520-22 (9,567-70), settlement 9,550 (9,570). Final kerb close: 9,500-10.
Turnover: 1,836 tonnes. Straits tin $m28.56 (28.41) kilo.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	£687.5-8.5	—21	—
3 months	£686-6	—23.5	691/680

Official closing (am): Cash 686-7 (712-4); three months 686-7 (712-3), settlement 687 (714). Final kerb close: 683-4.
Turnover: 15,700 tonnes. U.S. Prime Western: 46.80/47.75 cents per lb.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	May 9 1985	+ or —	Month ago
Aluminium	£1100	—	£1100
Free Mkt	$1150/180	—15	$1150/150
Copper			
Cash h Grade	£1308.5	—28.5	£1204.5
3 mths	£1236.5	—11.25	£1212.5
Gold troy oz	$315.5	+0	$331.25
Lead Cash	£302.75	—8.75	£312.5
3 mths	£304.75	—4.5	£314
Nickel			
Free Mkt	244/274c	—1	240/270c
Palladium oz	$112.50	+1.5	$116.80
Platinum oz	$272.75	+4.75	$299.25
Quicksilver†	$286/296	—	$280/290
Silver troy oz	616.40p	—1.40	542.05p
3 mths	630.60p	—2.05	568.55p
Tin cash	£9552	—80.5	£9706
3 mths	£9530.5	—60.5	£9785
Tungsten	$74.65	—	$77.70
Wolfram 22 04lb	$68/71	—	$74/78
Zinc	£688	—21	£718
3 mths	£685.95	—23.5	£722.5
Producers	$960	—	$960

OILS	May 9 1985	+ or —	Month ago
Coconut (Phil)	‡	—	$640
Palm Malayan	‡	—	$650
SEEDS			
Copra Phil	$460x	—	$500
Soyabean (U.S.)	$242	+1	$251.25
GRAINS			
Barley Fut. Sep	£98.95	+0.20	£98.65
Maize	£160.50	—	£191.5
Wheat Fut. July	£122.60	+0.50	£124.75
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. July	£1836.5	—3	£1921.5
Coffee Ft. July	£2155	—51	£2156.5
Cotton A Index	66.40c	—0.5	66.95c
Gas Oil	$216.5	+9.25	$207.5
Rubber (kilo)	66p	—	68p
Sugar (raw)	$84x	+1	$107
Wooltops 64s	476p	—	476pkil

‡ Unquoted. x May-June. z June. † Per 76-lb flask. c Cents a pound.

INDICES

FINANCIAL TIMES

May 8	May 7	M'th ago	Year ago
297.00	297.79	301.71	310.69

(Base: July 1 1952 = 100)

REUTERS

May 9	May 8	M'th ago	Year ago
1873.8	1877.8	—	1999.0

(Base: September 18 1931 = 100)

MOODY'S

May 8	May 7	M'th ago	Year ago
—	916	960.1	1066.6

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	May 8	May 7	Month ago	Year ago
Spot	116.48	116.42	120.54	129.28
Fut.	121.06	101.10	124.25	140.23

(Base: December 31 1974 = 100)

GOLD

Gold rose $2 to $315¼-315¾ on the London bullion market yesterday. After opening at $314½-315 the metal was fixed at $314.50 in the morning and $316.10 in the afternoon. It touched a high of $315¾-316 and a low of $314-314¼. The decline of the dollar encouraged some short covering, but no significant new buying, as investors remained confused about the prospects for the dollar, and by the recent lack of interest in precious metals.

GOLD BULLION (fine ounce) May 9

Close	$315¼-315¾	(£226¼-226¾)
Opening	$314½-315	(£257-257½)
M'n'g fix.	$314.50	(£256.840)
Aft'n'n fix.	$316.10	(£255.946)

GOLD AND PLATINUM COINS

Kr'g'r'nd.	$324¼-324¾	(£261¼-262¼)
½ Krug.	$107¼-166¾	(£126-126½)
¼ Krug.	$86¼-86	(£69.59½)
1/10 Krug.	$36-35½	(£28¼-28¾)
Mapleleaf	$324½-325	(£262-262¼)
New Sov.	$74¼-74¾	(£59¾-60¼)
½New Sov	$46¼-46¾	(£35½-37)
Old Sov.	$75½-77	(£61-62¼)
$20 Eagle	$440-460	(£366¼-367½)
Noble Plat	$277½-281	(£295¼-290½)

SILVER

Silver was fixed 1.4p an ounce lower on the London bullion market at 616.40p. U.S. cent equivalents of the fixing levels were: spot 635c, up 9.9c; three-month 647.25c, up 9.65c; six-month 661c, up 10.05c; and 12-month 691.05c, up 10.55. The metal opened at 617-520p (633-636c) and closed at 616-519p (637-640c).

SILVER per troy oz	Bullion fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	616.40p	—1.45	615p	—6.5
3 months	630.60p	—2.05	520.5p	—6
6 months	646.05p	—2.40	—	—
12 months	675.15p	—2.90	—	—

LME — Turnover: 46 (38) lots of 10,000 oz.
Three months high 534, low 531, final kerb 529-31.

FREIGHT FUTURES

Levels opened steady but eased on trade selling late in the morning, with October falling to a new low of 997.0. During a quiet afternoon most of the losses were recovered, reports Clarkson Wolff. The Baltic Freight Index was 1,053, down 3.

	Close	High Low	Prev.
July	948/949	955/948	1053/1055
Oct.	1003/1005.0	1004/997	1062/1100
Jan.	969/1005	991/985	1100/1085
April	1059/1086	—	1070/1100
July	1050/1020	—	1077/1102
Oct.	1100/1120	—	1109/1150
Jan.	1160/1180	—	1165/1210
April	1200/1260	—	1200/1280

Turnover: 76 (98).

GRAINS

Old crop wheat rose gradually in quiet trading reflecting steadier physicals. Shipper buying of new crops was met by profit-taking at 20p up, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
May	110.40	+0.35	114.90	+0.15
July	122.80	+0.30	—	—
Sept.	99.66	+0.15	98.05	+0.25
Nov	102.70	+0.10	102.45	+0.10
Jan	106.35	+0.10	105.95	+0.15
Mar.	109.55	+0.15	109.25	+0.15

Business done—Wheat: May 119.50-9.25, July 122.95-2.50, Sept 99.60-0.55, Nov 102.75 only, Jan 106.45-6.36, March 109.55-9.50. Sales: 144 lots of 100 tonnes. Barley: May 114.90-4.55, Sept untraded, Nov 102.50-2.45, Jan 106.00 only, March untraded. Sales: 79 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 15 per cent June 153, July 153.25, Aug 149.50, Sept 150.30, Oct 151.50 sellers transhipment East Coast. U.S. No. 2 Soft Red Winter June 136.25, July 132.75, Aug 134.70, Sept 136.15, Oct 138.60 sellers. EC Harvest 110 quoted. English Feed fob May 123 paid East Coast June 125, Sept 101.25, Oct 103.50 sellers East Coast. Maize: U.S. No. 3 Yellow/French transhipment East Coast May 100.50. Barley: English Feed fob May 118.50, Sept 101.50 sellers Scotland. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: N. West 114.20. The UK monetary coefficient for the week beginning Monday, May 13, will remain unchanged at 0.990.

COFFEE

Following stronger sterling, prices opened £17-27 lower, reports Drexel Burnham Lambert. Commission house selling created additional losses despite good scale-down support.

COFFEE	Yesterd'ys Close	+ or —	Business Done
May	2095-97	—60.5	2120-90
July	2154-56	—51.0	2190-44
Sept.	2191-94	—50.0	2222-84
Nov.	2990-96	—50.0	2253-15
Jan	2243-45	—55.0	2270-43
March	2060-33	—47.0	2055-30
May	2020-30	—55.0	—

Sales: 2,763 (2,667) lots of 5 tonnes.
ICO indicator prices (U.S. cents per pound) for May 8: Comp daily 1979 130.62 (131.24); 15-day average 131.66 (131.82).

COCOA

Futures drifted through an uninspiring day to close on a quiet note while physical interest was again restricted to nearby second-hand business. Producers remain totally withdrawn with consumers looking only to buy on a scale-down basis, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
May	1707-1709	—7.0	1805-1795
July	1836-1837	—3.0	1838-1828
Sept.	1891-1889	—7.5	1829-1818
Dec.	1779-1781	—2.0	1782-1771
Mar.	1780-1782	—1.5	1788-1772
May	1790-1794	—4.0	1794
July	1706-1805	—5.0	—

Sales: 2,030 (2,486) lots of 10 tonnes.
ICCO indicator prices (U.S. cents per pound). Daily price for May 9: 96.36 (94.91); five-day average for May 10: 95.75 (95.62).

SUGAR

LONDON DAILY PRICE—Raw sugar $84.00 (£68.50), up $1.00 (same) a tonne for May-June delivery. White sugar $127.60, up $3.00.

The market attempted to consolidate the overnight levels while awaiting the results of the Indian tender, reports C. Czarnikow.

No. 5 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug.	94.6-95.0	95.6-95.6	95.2-94.2
Oct.	98.6-98.8	98.8-100.0	100.8-98.4
Dec.	104.0-104.8	105.0-106.0	105.4-104.0
Mar.	118.6-118.8	117.0-117.2	117.0-115.8
May	120.6-120.8	121.4-121.8	111.0-119.8
Aug.	125.5-125.8	127.0-127.2	126.0-125.4
Oct.	130.0-131.4	131.0-135.0	131.5-130.4

Sales: 1,416 (2,575) lots of 50 tonnes.
Tate & Lyle delivery price for granulated basis sugar was £175.00 (same) a tonne for export.
International Sugar Agreement — (U.S. cents per pound fob and stowed Caribbean ports). Prices for May 8: Daily price 2.77 (2.65); 15-day average 3.04 (3.09).

SOYABEAN MEAL

The market opened unchanged, reports T. G. Roddick. Prices remained in narrow ranges.

	Yesterday close £ per tonne	+ or —	Business Done
June	126.5-127.5	+1.60	126
August	125.8-124.0	+0.60	125.8-123.5
October	125.8-126.2	+0.85	125.8-125.5
Dec.	130.0-130.5	+0.70	129.0
Feb.	134.5-135.0	+0.35	—
Apr.	135.5-136.4	+0.35	—
June	135.0-137.0	—	—

Sales: 2,127 (141) lots of 20 tonnes.

COTTON

LIVERPOOL — Spot and shipment sales amounted to 54 tonnes. Operations involved few fresh dealings and only occasional interest was shown in East African styles.

OIL

Speculative interest in forward crude lifted quotations but few deals were concluded. Nymex WTI opened 21c up and traded 38c up at noon EST. In the petroleum products market non-EEC qualified gas oil firmed slightly over the day amidst much talk and few public deals. Short-covering demand and a firm Nymex gave some confidence to an otherwise unsure market. The lack of European demand led some traders to offer high sulphur fuel into the Far Eastern market—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—June		
Arab Light	26.85-27.05	—
Arab Heavy	25.55-25.65	—0.15
Dubai	25.70-25.75	—0.05
Brent Blend	26.45-26.50*	+0.005
W.T.I. (1pm est)	27.38-27.40	+0.30
Forcados (Nigeria)	26.50-27.75*	+0.15
Urals (cif Med)	26.50-26.60*	—0.10
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	284-286	—
Gas Oil	215-217	+0.5
Heavy fuel oil	132-134	—1

* May

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
May	—	—	—
June	215.50	+9.25	216.75-14.50
July	215.50	+2.75	215.50-15.50
Aug	217.25	+2.75	217.25-15.25
Sep	218.00	+1.50	219.00-17.80
Oct	220.50	+0.50	—
Nov	223.50	+2.50	—

Turnover: 374 lots of 100 tonnes.

POTATOES

Short-covering on old crop May continued to firm values in thin volume. New crops opened easier and recovered later, with little feature throughout the day, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
May	84.70	51.00	55.80-51.50
Nov	66.50	66.10	66.00-65.10
Feb	74.00	76.60	—
Apr	88.70	86.60	89.00-87.60
May	94.00	96.00	94.90

Sales: 240 (317) lots of 40 tonnes.

PIGMEAT

After a steady opening prices rallied sharply due to short-covering and fresh buying but towards the close eased due to persistent hedge selling, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
June	104.70	104.20	104.80-104.50
Aug	100.80	100.50	101.50-100.80
Oct	109.40	105.10	106.70-106.50
Nov	107.00	105.60	107.50-107.10
Feb	99.50	98.50	99.50-99.70
April	100.20	99.10	100.80-99.70

Sales: 169 (68) lots of 50 carcases, 3,250 kg.

MEAT

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 76.0-81.0; English hindquarters 87.0-102.0, forequarters 50.0-54.0. Veal: Dutch hinds and ends 130.0-135.0. Lamb: English small (new season) 108.0-115.0, medium (new season) 106.0-112.0, heavy (new season) 104.0-106.0; Imported: New Zealand PL (new season) 67.0-68.0, PX (new season) 65.0-66.0. Pork: English under 100 lb 47.5-58.5, 100-120 lb 51.0-56.0, 120-160 lb 42.0-48.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 99.96p per kg lw (+2.02). GB—Sheep 230.04p per kg est dcw (−14.59). GB—Pigs 83.01p per kg lw (+0.26).

U.S. MARKETS

PRECIOUS METALS rose on tho weakening dollar, caused by the near record increase in the trade deficit and the comments of the chairman of the Federal Reserve Board, Mr Volcker, on interest rates, reports Heinold Commodities. Copper and aluminium firmed on continuing concern over the adequacy of nearby supplies. Heating oil rallied sharply on a weak dollar and technical buying as important resistance levels were penetrated on the upside. Hedging pressure reflecting good traded on the upside. Hedging pressure by commercial traders following swaps for government-held grain dominated wheat trading and produced moderate losses going into the close. Maize was mixed with most of the pressure concentrated in the spot month. In soyabeans unwinding of oil/meal spreads put pressure on oil prices but left soyabeans with minor gains ahead of tho close following a strong performance by meal. The weak tone to the economy along with disappointment over the lack of strong speculative buying despite a weak dollar prompted a weaker tone late in the session.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
May	49.65	—	—	49.70
June	49.95	—	—	49.40
July	50.30	50.30	49.80	49.75
Sept	51.70	50.95	50.80	50.50
Dec	52.30	—	—	51.65
Jan	52.70	—	—	52.05
March	53.50	—	—	52.85
May	54.30	—	—	53.65
July	55.10	—	—	54.45
Sept	55.50	—	—	55.25

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
May	2365	2375	2300	2285
July	2115	2140	2095	2084
Sept	2062	2050	2050	2039
Dec	2025	2050	2007	1991
March	2020	2045	2006	1986
May	2020	—	—	1986
July	2020	—	—	1986

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
May	64.75	62.20	64.50	64.05
June	65.00	65.70	64.80	64.40
July	65.50	66.00	64.85	64.90
Sept	66.00	66.40	65.60	65.35
Dec	66.50	60.80	65.90	55.80
Jan	66.70	—	—	66.00
March	67.05	67.50	69.80	58.35
May	67.40	68.00	66.65	66.70
July	67.75	—	—	67.05
Sept	65.10	68.70	68.30	67.40

COFFEE "C" 37,000 lbs, cents/lb

	Close	High	Low	Prev
May	143.90	43.95	43.00	43.90
July	143.39	43.90	43.00	43.01
Sept	143.82	44.10	43.30	43.65
Dec	143.04	43.40	42.80	43.01
March	142.95	42.95	42.35	42.75
May	141.55	—	—	41.65
July	141.01	—	—	41.33

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
July	65.66	65.70	65.70	65.15
Oct	64.51	64.51	64.20	64.26
Dec	64.58	64.60	64.38	64.35
March	65.70	69.75	65.60	69.55
May	66.33	66.30	66.10	66.13
July	66.63	50.60	65.40	66.45

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
June	27.69	27.57	27.37	27.17
July	26.96	27.08	26.82	26.64
Aug	26.65	26.76	26.58	26.39
Sept	26.59	26.68	26.50	26.33
Oct	26.58	26.61	29.58	26.31
Nov	26.60	26.60	26.58	26.31
Dec	26.46	26.50	26.45	26.31

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
May	313.0	316.3	313.2	312.8
June	314.3	317.5	313.7	314.2
July	316.3	—	—	316.2
Aug	318.3	321.5	317.7	316.2
Oct	322.6	326.0	322.0	322.6
Dec	327.2	330.5	327.0	327.2
Feb	332.2	336.0	336.0	332.2
April	337.2	—	—	337.2
June	342.3	—	—	342.6
Aug	348.1	—	—	348.3
Oct	353.9	357.6	357.6	354.1
Dec	358.8	363.0	363.0	360.0
Feb	366.2	369.7	369.7	366.5

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
June	70.00	71.23	70.55	70.22
July	69.85	70.15	69.50	69.23
Aug	70.30	70.00	70.06	69.70
Sept	71.20	71.46	70.90	70.50
Oct	72.00	—	—	71.35
Nov	72.20	—	—	72.25
Dec	73.80	74.00	74.00	73.10
Jan	75.00	—	—	74.10
Feb	75.00	—	—	74.00
March	74.50	—	—	73.50

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
May	155.45	56.35	55.00	56.95
Sept	150.40	50.80	50.00	50.50
Nov	148.75	49.00	48.60	48.10
Jan	148.65	48.90	48.15	48.50
March	148.80	—	—	49.20
May	148.80	—	—	49.20
July	148.90	—	—	49.20

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
May	269.8	—	—	267.4
June	279.5	—	—	265.4
July	272.5	276.0	271.8	270.4
Oct	277.4	281.0	277.0	275.1
Jan	283.1	286.9	285.0	280.0
April	291.5	291.5	290.0	286.6

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
May	632.2	642.0	630.0	628.6
June	635.0	635.0	632.0	631.6
July	639.0	648.0	637.0	635.5
Sept	647.9	656.8	645.5	644.3
Dec	662.1	671.0	661.0	658.5
Jan	667.3	—	—	663.7
March	677.2	685.0	676.0	673.6
May	687.8	692.0	690.0	684.3
July	699.2	—	—	695.6
Sept	711.2	716.0	713.0	707.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	3.05	3.09	3.01	3.06
Sept	3.20	3.25	3.18	3.20
Oct	3.30	3.35	3.29	3.34
Jan	3.66	3.75	3.66	3.75
March	4.10	4.12	4.08	4.13
May	4.29	4.35	4.25	4.36
July	4.50	4.59	4.50	4.57
Sept	4.70	—	—	4.75
Oct	4.79	4.87	4.85	4.93

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	62.40	62.42	61.30	61.17
August	63.72	63.85	63.05	62.82
Oct	62.50	62.67	62.07	61.92
Dec	63.80	63.92	63.30	63.27
Feb	64.50	64.60	64.10	64.12
April	65.50	65.50	65.20	65.20

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
June	45.86	46.35	45.72	45.40
July	48.30	48.72	48.25	47.85
August	48.37	48.95	48.30	47.97
Oct	45.72	46.15	45.65	45.37
Dec	47.02	47.35	46.76	46.82
Feb	48.20	48.40	48.15	48.00
April	46.50	46.30	46.20	46.20
June	47.40	47.90	47.40	47.45
July	48.95	48.95	48.95	48.80

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
May	280.0	281.4	279.0	281.2
July	278.0	278.2	276.5	277.2
Sept	268.0	268.0	267.5	267.9
Dec	265.4	266.0	264.4	264.0
March	273.6	274.0	272.4	272.4
May	279.0	279.2	278.0	277.8
July	280.4	280.4	279.4	279.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
May	61.90	62.90	61.70	61.32
July	63.20	64.50	63.05	62.70
August	62.45	63.80	62.40	62.20
Feb	70.15	71.50	70.10	70.25
March	70.20	70.90	70.00	70.25
May	71.50	71.85	71.10	71.56
July	71.50	71.50	71.25	71.50

SOYABEANS 5,000 bu min; cents/60lb-bushel

	Close	High	Low	Prev
May	582.2	583.0	578.0	573.4
July	585.5	587.0	581.4	580.6
August	587.2	589.0	583.4	582.4
Sept	587.8	590.0	585.0	583.2
Nov	595.8	598.2	592.2	590.5
Jan	606.0	608.0	604.0	601.2
March	617.0	618.0	613.4	611.4
May	625.4	628.0	621.0	619.4
July	631.4	631.4	628.2	626.4

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
May	31.72	31.75	31.00	31.20
July	30.35	30.40	28.55	28.90
August	28.40	29.90	28.80	28.13
Sept	28.62	28.55	28.05	72.33
Oct	27.70	27.90	27.20	27.53
Dec	29.93	27.00	26.30	26.76
Jan	26.65	26.75	26.16	26.50
March	26.38	26.80	26.00	26.25
May	26.15	—	—	26.95

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
May	123.5	124.9	123.0	121.5
July	128.2	129.7	127.2	126.4
August	131.2	132.7	130.2	129.5
Sept	134.0	135.5	133.2	132.1
Oct	136.8	138.3	136.0	135.1
Dec	142.1	143.3	141.5	140.8
Jan	144.2	146.8	144.0	142.5
March	146.5	151.0	148.0	147.0
May	152.7	—	—	150.8
July	156.8	—	—	157.0

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	340.0	340.6	337.0	339.2
July	323.4	324.4	320.2	322.4
Sept	323.0	325.6	322.0	323.4
Dec	334.4	336.0	332.4	334.0
March	339.0	340.0	338.0	339.0
May	334.0	334.0	333.9	335.0

SPOT PRICES—Chicago loose lard 21.00 (21.00) cents per pound. New York tin 545.0 (537.0) cents per pound. Handy and Harman silver bullion 635.5 (628.0) cents per pound.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 600.0, 639.0, 625.0; July 632.0, 634.5, 632.0; Oct 621.0, 624.0, 622.0-620.0; Dec 621.0, 623.0, 623.0-620.0; March 629.0, 632.0, 630.0; May 636.0, 639.0, nil; July 642.0, 647.0, nil; Oct 627.0, 637.0, nil. Sales 30.

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business). New Zealand cents per kg. May 500, 501, nil; Aug 535, 537, 537; Oct 536, 537, 537; Dec 534, 537, 537; Jan 536, 538, nil; March 546, 548, nil; May 551, 554, nil; Aug 564, 568, 568; Oct 562, 569, nil. Sales: 12

PARIS

SUGAR—(FFr per tonne): Aug 1250-1252, Oct 1265-1267, Dec 1285-1305, March 1356-1362, May 1400-1416, Aug 1480-1480.

COCOA — (FFr per 100 kg): May 2124-2125, July 2140 bid, Sept 2124-2130, Dec 2050-2065, March 2060-2069, May 2050 bid, July 2055 bid.

RUBBER

PHYSICALS — The London market opened slightly steadier, fluctuated on currency factors and closed uncertain, reports Lewis and Peat. Closing prices (buyers) spot 58.00p (same); June 58.50p (68.25p); July 69.00p (68.75p). The Kuala Lumpur fob price for RSS No 1 was 190.5 (189.75) cents a kg and for SMR 20 was 182.5 (same).

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. No. 2 Soft Red Winter June 149, July 144, Aug 146, Sept 147.50, Oct 100 sellers. U.S. No. 2 Northern Spring 14 per cent protein June 171, July 169.50, Aug 167, Sept 168, Oct 168, Nov 171 sellers. U.S. Northern Spring 19 per cent protein June 183, July 101.50, Aug 170.50, Sept 179 sellers. U.S. No. 3 Hard Amber Durum May 182, June 182, July 181, Aug 177, Sept 173, Oct 176 sellers. Canadian No. 1 Western Amber Durum May-June 189, June-July 189.50, Aug 188, Sept 187 sellers.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar nervous and weak

The recent up and down movements of the dollar continued yesterday, without any new factors to influence the foreign exchanges. As on Tuesday the selling pressure seemed to start in the Far East, and continued in Europe, where the U.S. currency touched an early low of DM 3.13. Dollar selling remained dominant after the entry of U.S. markets, and the currency fell through DM 3.12, regarded as a significant support level by chart followers. This may have accelerated the dollar's decline and it failed to find significant support until just above DM 3.10, when a slight recovery set in, taking it back to around DM 3.11.

Recent comments by Federal Reserve Board officials have created considerable confusion about the speed of economic growth and whether interest rates are likely to fall in the near future. This coupled with the downturn in growth in the first quarter, and as yet only hopes of a recovery in the present quarter, is creating the present very volatile market.

The dollar fell to DM 3.1110 from DM 3.1915; FFr 9.49 from FFr 9.7250; SwFr 2.6145 from SwFr 2.6845; and Y251.50 from Y253.20. On Bank of England figures its exchange rate index fell to 147.1 from 149.0.

STERLING — Trading range against the dollar in 1985 is 1.2940 to 1.0525. April average 1.2414. Exchange rate index rose 0.4 to 77.9. It opened at 77.6 and after falling to a low of 77.3 at 9 am rose to a peak of 78.1 at 3 pm.

Sterling remained on the sidelines yesterday, moving roughly in line with the D-mark against the dollar. In present conditions expectations that London interest rates will remain high, after this week's money supply figures, are offsetting any fears of lower oil prices. The pound closed slightly below the day's peak at $1.2365-1.2375, a rise of 2.90 cents on the day. It finished unchanged at DM 3.85, and eased to FFr 11.7250 from FFr 11.75 and SwFr 3.2350 from SwFr 3.2450, but rose to Y311 from Y305.50.

D-MARK—Trading range against the dollar in 1985 is 3.4510 to 2.9730. April average 3.0856. Exchange rate index 121.1 against 122.8 six months ago.

The D-mark rose sharply against the dollar, but trading was regarded as largely technical, without and new factor to provide a lead. The U.S. currency fell to DM 3.1265 at the close in Frankfurt from DM 3.20 on Wednesday, after touching a low of DM 3.1130. Earlier in the day the German Bundesbank did not intervene when the dollar was fixed at DM 3.1355 compared with DM 3.1878 previously. The market was at times quite hectic, but without any new impetus it was the fall through various chart resistance points that triggered any increased selling. As expected the regular meeting of the Bundesbank council left German credit policies unchanged.

£ IN NEW YORK

	May 2	prev. close
£ Spot	$1.2365-1.2870	$1.9125-1.240
1 month	0.47-0.45pm	0.47-0.85pm
3 months	1.30-1.26pm	1.25-1.895m
12 months	3.15-3.00pm	3.19-3.08pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	May 9	Previous
8.30 am	77.6	77.6
9.00 am	77.3	77.4
10.00 am	77.5	77.2
11.00 am	77.6	77.5
Noon	77.8	77.4
1.00 pm	78.0	77.4
2.00 pm	78.0	77.5
3.00 pm	78.1	77.4
4.00 pm	77.9	77.5

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.0723	+0.38	+0.46	±1.5471
Danish Krone	8.14104	8.04575	−1.17	−1.09	±1.6419
German D-Mark	2.24184	2.23890	−0.13	−0.05	±1.1475
French Franc	6.87456	6.82852	−0.70	−0.62	±1.3669
Dutch Guilder	2.52595	2.52818	+0.09	+0.17	±1.5171
Irish Punt	0.72589	0.714966	−1.46	−1.40	±1.6673
Italian Lira	1403.49	1426.32	+1.63	+1.63	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

May 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2155-1.2400	1.2365-1.2375	0.47-0.44c pm	4.41	1.27-1.22 pm	4.03
Canada	1.6820-1.7195	1.7025-1.7195	0.46-0.37c pm	2.91	1.15-1.02 pm	2.53
Nethlnd.	4.31½-4.36	4.33½-4.34½	2¼-2c pm	5.70	6¼-5⅞ pm	5.53
Belgium	77.06-77.87	77.30-77.40	28-21c pm	3.65	65-60 pm	3.34
Denmark	13.78½-13.91½	13.83-13.84	4⅛-3⅞ore pm	3.52	11½-10¼ pm	3.14
Ireland	1.2262-1.2330	1.2320-1.2330	0.19-0.08p pm	1.07	0.44-0.01 pm	0.73
W. Ger.	3.83-3.86½	3.84½-3.85½	2½-2¼pf pm	7.21	6⅞-6½ pm	6.82
Portugal	216½-224½	220½-224½	95-410c dis	−13.62	320-1190dis	−15.48
Spain	215½-217½	216½-217½	10c pm-5 dis	−0.14	25-80 dis	−0.78
Italy	2434-2470	2451½-2452½	2lire pm-1 dis	−0.24	1 pm-4 dis	−0.24
Norway	11.03-11.11½	11.07½-11.08½	par-½ore dis	−0.41	¾-1½ dis	−5.36
France	11.66-11.81	11.72-11.73	2½-2¼c pm	2.43	6½-5½ pm	2.03
Sweden	11.08½-11.16	11.13½-11.14½	1½-1⅞ore dis	−1.88	4½-5½ dis	−1.94
Japan	306½-312	310½-311½	1.75-1.65y pm	6.56	4.80-4.70 pm	6.17
Austria	26.90-27.35	27.20-27.30	14-12½gro pm	5.81	37½-33½ pm	5.25
Switz.	3.21½-3.26	3.23-3.24	2½-2¼c pm	8.11	6½-6 pm	7.60

Belgian rate is for convertible francs. Financial franc 78.15-78.25. *Six-month forward dollar 2.28-2.22c pm, 12-month 3.20-3.05c pm.*

DOLLAR SPOT—FORWARD AGAINST DOLLAR

May 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2155-1.2400	1.2365-1.2375	0.47-0.44c pm	4.41	1.27-1.22 pm	4.03
Ireland†	0.9926-1.0085	1.0063-1.0073	0.33-0.23c pm	3.37	0.96-0.88 pm	3.33
Canada	1.3765-1.3808	1.3785-1.3795	0.17-0.20c dis	−1.61	0.51-0.56dis	−1.55
Nethlnd.	3.5040-3.5610	3.5115-3.5125	0.38-0.35c pm	1.23	1.36-1.33 pm	1.52
Belgium	62.60-63.45	62.60-62.70	6-7c dis	−1.23	15-17 dis	−1.01
Denmark	11.19-11.33	11.21½-11.22½	½-1ore dis	−0.80	2½-3 dis	−1.12
W. Ger.	3.1025-3.1650	3.1105-3.1115	0.73-0.68pf pm	2.70	2.19-2.14 pm	2.78
Portugal	177-181	177½-179	150-400c dis	−18.33	450-1150dis	−17.78
Spain	174½-177½	174¾-175¼	62-72c dis	−4.55	220-250 dis	−5.32
Italy	1984-2004	1992½-1993½	6½-7½lire dis	−4.20	21¼-22 dis	−4.33
Norway	8.97½-9.06½	8.98½-8.99½	3½-3½ore dis	−4.65	9¾-10¼ dis	−4.43
France	9.48½-9.61½	9.48½-9.49½	1.55-1.65c dis	−2.01	4.75-5.05dis	−2.05
Sweden	9.03-9.11	9.03½-9.03½	4½-5ore dis	−6.29	13½-14½ dis	−6.12
Japan	251.35-252.40	251.45-251.55	0.49-0.41y pm	2.15	1.40-1.30 pm	2.15
Austria	21.80-22.15½	21.80-21.85	3½-2½gro pm	1.77	10½-7½ pm	1.68
Switz.	2.6070-2.6520	2.6140-2.6150	0.82-0.76c pm	5.60	2.32-2.26 pm	3.48

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 63.15-63.25.

OTHER CURRENCIES

May 5	£	$		£ Note Rates
Argentina Peso	599.20-600.70	485.20-485.60	Austria	26.80-27.15
Australia Dollar	1.7900-1.7950	1.4506-1.4525	Belgium	77.85-78.05
Brazil Cruzeiro	9,288-6,321	5,090-5,110	Denmark	13.74-13.87
Finland Markka	8.0310-8.0430	6.5050-6.5070	France	11.67-11.79
Greek Drachma	168.59-172.06	137.07-140.57	Germany	3.83¾-3.86¾
HongKong Dollar	9.6810-9.6030	7.7675-7.7725	Italy	2420-2465
Iran Rial	115.25*	94.10*	Japan	308-312
KuwaitDinar(KD)	0.3740-0.3650	0.30305-0.30315	Netherlands	4.32-4.36
Luxembourg Fr	77.30-77.40	62.60-62.70	Norway	11.98-11.10
Malaysia Dollar	3.0560-3.0640	2.4750-2.4800	Portugal	214-224
New Zealand Dlr	2.1600-2.6400	2.1280-2.2050	Spain	209-216
Saudi Arab Riyal	4.4580-4.4670	3.6100-3.6110	Sweden	11.05-11.17
Singapore Dollar	2.7345-2.7640	2.2280-2.2310	Switzerland	3.21¼-3.24¾
Sth African Rand	2.4425-2.4555	1.9875-1.9915	United States	1.21-1.23
U.A.E. Dirham	4.5345-4.5435	3.6720-3.6730	Yugoslavia	302-352

* Selling rate.

CURRENCY MOVEMENTS

May 9	Bank of England Index	Morgan Guaranty Change %
Sterling	77.9	−11.5
U.S. dollar	147.1	+32.1
Canadian dollar	87.5	−7.5
Austrian schilling	111.4	+3.0
Belgian franc	89.0	−10.5
Danish Kroner	76.0	−5.0
Deutsche mark	121.1	+6.6
Swiss franc	138.5	+7.7
Guilder	111.6	+3.0
French franc	64.6	−15.5
Lira	45.2	−17.3
Yen	154.4	+11.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

May 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.80335	0.591253
U.S. $	8	0.985529	0.717825
Canadian $	10.07	*	0.987828
Austria Sch.	4½	21.5696	15.7204
Belgian Fr	9¾	62.1907	45.0723
Danish Kr	7	11.1478	8.04575
D mark	4½	3.09825	2.23890
Guilder	5½	3.48035	2.52919
French Fr	9½	9.40409	6.92625
Lira	18½	1969.85	1426.39
Yen	5	248.506	180.560
Norway Kr	8	8.98808	6.44966
Span'h Pta	—	174.221	126.014
Swedish Kr	9	8.97001	6.49094
Swiss Fr	4	2.59999	1.88106
Greek Dr'ch	20½	137.266	98.6431
Irish Punt	12¾	0.992596	0.714966

*C$/SDR rate for May 8: 1.35886

EXCHANGE CROSS RATES

May 5	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.237	3.850	311.0	11.73	3.235	4.348	2462.	1.714	77.35
U.S. Dollar	0.808	1.	3.111	251.5	9.490	2.615	3.512	1993.	1.385	62.65
Deutschemark	0.260	0.321	1.	80.78	3.046	0.840	1.128	636.9	0.445	20.09
Japanese Yen 1,000	3.215	3.977	12.38	1000.	37.70	10.40	13.96	7884.	5.510	248.7
French Franc 10	0.853	1.055	3.284	265.2	10.	2.760	3.704	2091.	1.461	65.07
Swiss Franc	0.308	0.382	1.190	96.14	3.624	1.	1.342	758.0	0.530	23.91
Dutch Guilder	0.230	0.285	0.887	71.62	2.700	0.745	1.	564.7	0.395	17.81
Italian Lira 1000	0.408	0.504	1.570	126.8	4.782	1.310	1.771	1000.	0.699	31.55
Canadian Dollar	0.584	0.722	2.247	181.5	6.843	1.888	2.894	1431.	1.	45.14
Belgian Franc 100	1.293	1.599	4.977	402.1	15.16	4.182	5.614	3170.	2.215	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

May 9	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅜-12⅞	6-8⅛	8¾-9¼	6¼-6⅜	1⅛-1¾	5⅛-5⅝	10-10⅛	11⅛-12⅛	8¾-9	8⅞-9⅛	6-6⅛	5¼-5¾
7 day's notice	12⅝-12¾	8⅛-8⅞	8.9½	6¼-6⅜	1⅝-1⅞	5½-5⅝	10-10⅛	12¾-13¼	9-9¼	8⅞-9⅛	6-6⅛	9¼-9¾
Month	12⅞-12¾	8⅛-8⅞	9⅛-9⅜	6⅛-6⅜	4⅛-4⅜	5⅛-5⅝	10⅛-10⅜	12⅝-13⅛	9⅛-9⅜	9⅛-9¼	6⅛-6¼	9-9½
Three months	12⅝-12¾	8¼-8⅝	9⅞-10	6⅛-6⅜	4⅞-5	5⅝-5¾	10⅛-10⅜	13-15⅛	9⅛-9¼	9⅛-9⅜	6¼-6⅜	9¼-9¾
Six months	12⅝-10⅜	8⅝-8⅞	10⅛-10⅜	6⅞-7	5-5⅛	5⅜-5⅝	10⅛-10⅜	13⅝-14	9⅝-9⅞	9¼-9⅜	6¼-6⅜	9⅜-9⅞
One year	12⅛-12⅝	9⅛-9⅜	10⅛-10⅝	6⅞-7	5-5⅛	5⅝-6⅛	10⅝-10¾	14¼-14⅝	9⅞-10	9¾-9⅞	6⅛-6⅜	9⅛-15⅛

Asian $ (closing rates in Singapore): Short-term 8-8⅛ per cent; seven days 8⅛-8⅜ per cent; one month 8⅛-8⅜ per cent; three months 8⅜-8⅝ per cent; six months 8⅝-8⅞ per cent; one year 9⅛-9⅜ per cent. Long-term Eurodollars: two years 10¼-10½ per cent; three years 10¾-11 per cent; four years 11-11¼ per cent; five years 11¼-11½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London interest rates steady

Interest rates remained steady on the London money market yesterday as prospects for a fall in bank base rates have faded after the latest money supply figures. Discount houses are now willing sellers of paper, and the authorities gradually absorbed yesterday's large credit shortage without much difficulty. Three-month interbank finished unchanged at 12⅝-12¾ per cent, and discount houses buying rates for three-month bank bills were steady at 12 7/16 per cent.

The Bank of England forecast a money market shortage of £1,000 in the morning, but revised this to £900m in the afternoon, and provided total assistance of £916m.

An early round of help was offered, and at that time the authorities bought £186m bills outright, by way of £25m bank bills in band 1 (up to 14 days maturity) at 12⅝ per cent; £57m bank bills in band 2 (15-33 days) at 12½ per cent; £8m Treasury bills in band 3 (34-63 days) at 12⅜ per cent; £31m bank bills in band 3 at 12⅜ per cent; £35m local authority bills in band 4 (64-91 days) at 12 per cent; and £30m bank bills in band 4 at 12 per cent.

Another £301m bills were purchased outright before lunch, through £13m bank bills in band 1 at 12⅝ per cent; £159m bank bills in band 2 at 12½ per cent; £52m bank bills in band 3 at 12⅜ per cent; and £77m bank bills in band 4 at 12 per cent.

In the afternoon the Bank of England bought £334m bills outright, by way of £21m bank bills in band 1 at 12⅝ per cent; £179m bank bills in band 2 at 12½ per cent; £8m local authority bills in band 3 at 12⅜ per cent; £111m bank bills in band 3 at 12⅜ per cent; £2m local authority bills in band 4 at 12 per cent; and £13m bank bills in band 4 at 12 per cent.

Late assistance of £95m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £584m, with the unwinding of repurchase agreements absorbing £360m, Exchequer transactions £50m, and a rise in the note circulation £15m. On the other hand banks brought forward balances £5m above target. This was rather surprising, as Wednesday's help appeared to be slightly underdone.

UK clearing banks base lending rate 12½-12¾ per cent since April 19

MONEY RATES

May 5	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	10⅛	1¼-1¾	6-6⅛	6.03105	18⅛-18½	0.00	12⅝-19⅞
One month	5.75-5.85	10⅛-10⅜	4⅝-4⅞	6⅛-6⅜	6.28125	14⅝-15	9⅛-9⅛	12⅝-12⅞
Two months	5.75-5.85	10⅛-10⅜	—	—	—	—	—	12⅝-10⅛
Three months	5.80-5.90	10⅛-10⅜	4⅞-5⅛	6⅛-6⅞	6.34375	15-15⅝	9¼-9⅛	12⅝-12⅞
Six months	5.85-6.00	10¼-15⅜	—	6⅛-6⅞	—	—	9¼-9⅛	10⅝-12⅞
Lombard	2.0	—	—	—	—	—	—	—
Intervention	—	10¼	—	5⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

May 9 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12½-12	12½-10¾	12⅝-10¾	12¼-19¼	—	—	—	—	—
2 days notice	—	—	12½-12⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅛-10¼	12⅝	12¾-12⅞	12⅛	—	—	—	—	—
One month	12⅞-12⅞	12⅝-12¾	12⅝	12⅞	12½	12⅞	12⅝	12⅞	10¼-12⅞	12⅞
Two months	12⅞-12⅞	12⅝-12¾	12⅞	12⅞	12⅛	12⅝	12⅞	12⅞	12⅛	12⅞
Three months	12⅝-12⅛	12⅝-12¾	12⅞	12⅞	11⅞	12	11⅞	12⅞	12	12⅞
Six months	12⅝-12¼	12⅞-12⅞	12⅞	—	—	—	—	11⅞-11⅞	11⅞-11⅞	12⅞
Nine months	12¼-12⅛	12⅞-10⅞	—	—	—	—	—	—	—	—
One year	10⅛-12	12⅞-12⅞	12¼	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅝-13¼	—	12¾	8.1-8.2	7⅛-8⅛	9⅛-9⅜
Two months	15¾-15⅛	—	12¾	8.2-8.3	8-8¼	9⅛-9¼
Three months	15¾-13⅛	—	19¾	8.25-8.35	8⅛-8⅜	9¼-9⅜
Six months	10⅝-12¾	—	12⅝	8.4-8.5	8⅝-8⅝	9⅛-9⅜
Nine months	12⅛-12⅞	—	12⅛	8.95-9.05	—	—
One year	10⅝-12¾	—	12⅝	9.05-9.15	8⅞-9⅛	9⅝-9¾
Two years	—	11⅞	—	—	—	—
Three years	—	11⅞	—	—	—	—
Four years	—	11⅞	—	—	—	—
Five years	—	11¾	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period April 3 to May 7 (inclusive): 12.767 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13½ per cent from May 1, 1985. London and Scottish Clearing Bank Rates for lending 12½-12¾ per cent. Bank Deposit Rates for sums at seven days' notice 5.66-7.25 per cent (net). Treasury Bills: Average tender rates of discount 11.9687 per cent. Certificates of Tax Deposit (Series 5): Deposits £100,000 and over held under one month 12½ per cent; one-three months 12¾ per cent; three-six months 12½ per cent; six-nine months 12¾ per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from May 8. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 5 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 9)

3 months U.S. dollars

bid 8 5/16	offer 8 7/16

6 months U.S. dollars

bid 8 5/8	offer 8 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9-9½
Fed funds	8
Fed funds at intervention	—

Treasury Bills

One month	7.15
Two month	7.50
Three month	7.72
Six month	7.90
One year	8.08

Treasury Bonds

Two year	100¼
Three year	94⅞
Four year	102¼
Five year	102 27/32
Seven year	103⅜
10 year	100¼
30 year	99 3/32

FINANCIAL FUTURES

Quietly higher

A quiet day on the London International Financial Futures Exchange left prices generally higher. June Eurodollars opened at 91.33 and closed at the days peak of 91.40, compared with 91.30 on Wednesday. The quiet tone reflects doubts about the future trend in U.S. interest rates. Mr Paul Volcker, chairman of the Federal Reserve Board, has agreed monetary policy is in neutral, but has not ruled out an early change. Unless there is a cut in the discount rate, the market will have to deduce whether there has been an easing of the Fed's stance after the next FOMC meeting on May 21. Treasury bonds for June delivery began at 71-17, just above the day's low and touched a peak of 71-27, before closing at 71-23, against 71-20 previously.

Gilt futures weakened after a slightly stronger opening, falling to a low of 104-09 for June delivery, before rising to a high of 104-23, as the pound showed gains against a weakening dollar on the foreign exchanges. It closed at 104-21, compared with the previous settlement of 104-16. June sterling deposits rose to 87.40 from 87.32, but finished below the opening of 87.42, still reflecting disappointment at the latest UK money supply figures.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	91.40	91.40	91.31	91.30
Sept	90.72	90.72	90.63	90.62
Dec	90.24	90.24	90.17	90.13
March	89.86	89.86	89.77	89.74
June	89.55	89.55	89.44	89.41

Est volume 3,315 (5,684)
Previous day's open int 18,456 (18,453)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	87.40	87.43	87.34	87.32
Sept	88.03	88.08	87.98	88.00
Dec	88.46	88.50	88.45	88.50
March	88.86	88.87	88.75	88.87
June	88.93	88.96	88.80	88.90

Est volume 1,439 (1,314)
Previous day's open int 7,100 (9,991)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	104-21	104-23	104-09	104-16
Sept	107-28	107-28	107-21	107-30
Dec	108-02	—	—	108-04
March	107-22	—	—	107-26

Est volume 2,761 (1,253)
Previous day's open int 3,323 (3,519)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) —10 to par (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.2290	1.2330	1.2150	1.2055
Sept	1.2175	1.2240	1.2130	1.1940
Dec	1.2100	—	—	1.1885

Est volume 412 (114)
Previous day's open int 9,822 (9,865)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3207	0.3212	0.3170	0.3138
Sept	0.3231	0.3214	0.3214	0.3160

Est volume 273 (74)
Previous day's open int 237 (231)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.3817	—	—	0.3730
Sept	0.3853	—	—	0.3781

Est volume nil (1)
Previous day's open int 147 (155)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.3980	—	—	0.3958
Sept	0.4003	—	—	0.3979

Est volume nil (n9)
Previous day's open int 160 (150)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	129.85	130.35	129.70	129.95
Sept	130.45	—	—	130.55

Est volume 131 (96)
Previous day's open int 1,235 (1,273)

U.S. TREASURY BONDS 9% $100,000 32nds of 100%

	Close	High	Low	Prev
June	71-23	71-27	71-16	71-20
Sept	70-21	70-20	70-14	70-12

Est volume 1,512 (2,403)
Previous day's open int 2,463 (2,929)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	71-24	71-25	71-15	71-13
Sept	70-21	70-22	70-10	70-11
Dec	69-22	69-22	69-14	69-12
March	68-27	68-27	68-20	68-17
June	68-03	68-03	67-28	67-25
Sept	67-13	67-13	67-06	67-03
Dec	—	—	—	66-18
March	66-06	66-06	66-02	65-30
June	—	—	—	65-14
Sept	—	—	—	—
Dec	—	—	—	64-18

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	92.24	92.26	92.19	92.21
Sept	91.78	91.78	91.71	91.73
Dec	91.40	91.40	91.32	91.36
March	91.10	91.10	91.08	91.05
June	90.84	90.84	90.80	90.79
Sept	90.62	90.62	—	90.57
Dec	90.44	90.44	—	90.37
March	90.26	90.26	—	90.18

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.74	91.74	91.67	91.70
Sept	91.07	91.07	91.00	91.02
Dec	90.58	90.58	90.52	90.54
March	90.20	90.20	90.18	90.17

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.35	91.37	91.29	91.32
Sept	90.67	90.69	90.61	90.63
Dec	90.20	90.20	90.14	90.15
March	89.84	89.84	89.79	89.78
June	89.53	89.54	89.49	89.48
Sept	89.26	89.27	89.24	89.22
Dec	89.04	89.04	89.02	88.98
March	88.85	88.85	88.80	88.76

STERLING (IMM) $ per £

	Latest	High	Low	Prev
June	1.2295	1.2310	1.2256	1.2020
Sept	1.2170	1.2205	1.2146	1.1910
Dec	1.2106	1.2140	1.2085	1.1840
March	—	—	—	1.2265
June	—	—	—	1.1800
Sept	—	—	—	1.2506

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	70-15	70-18	70-14	70-13
Sept	69-22	69-22	69-21	69-21
Dec	—	—	—	69.01
March	—	—	—	—
June	—	—	—	68-00
Sept	67-20	67-20	67-19	67-19

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, May 8, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of May 8 at 11.00 a.m.
3 months: 8⅝ 6 months: 8 11/16

ECU=$US.70189 SDR1=$US.98044
Sibor as of May 8 at 11.00 a.m.
3 months: 8 7/16 6 months: 8 11/16

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.3437
Algeria	Dinar	5.112
Andorra	Fr. Franc	2.735
	Sp. Peseta	178.48
Angola	Kwanza	29.916
Antigua	E. Caribbean $	2.70
Argentina	New Peso (o)	475.84
Australia	Dollar	1.468
Austria	Schilling	22.46
Azores	Port. Escudo	182.00
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
[illegible]	[illegible]	[illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR
Grenada	E. Caribbean $	2.70
Guadeloupe	Franc	9.735
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, f)	2.86
Guinea Bissau	Peso	147.323
Guinea Rep	Syli	28.1778
Guyana	Dollar	4.19
Haiti	Gourde	5.00
Honduras Rep	Lempira	2.00
	Lempira (d)	5.55
Hong Kong	Dollar	7.7818
Hungary	Forint	51.1356
[illegible]	[illegible]	[illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	519.00
Peru	Sol (o)	0075.15
Philippines	Peso	18.45
Pitcairn Is.	N.Z. Dollar	2.2082
Poland	Zloty (O) (3)	135.94
Portugal	Escudo	182.00
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion, Ile de la	Fr. Franc	2.375
Romania	Leu (o)	4.54
Rwanda	Franc	104.759
[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate. * U.S. dollars per National Currency unit. (o) Free market central bank. (e) Official rate. (b) Free market interbank. (c) Commercial rate. (d) Free market. (s) Controlled. (l) Financial rate. (k) Preferential rates. (h) Non-essential imports. (f) Floating tourist rate. [illegible]

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 32

Indices

NEW YORK—DOW JONES

** Saturday May 4: Japan Nikkei-Dow 12,545.25. TSE 979.86.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.